

GLOBAL MARKETING STRATEGIES FOR INDIAN ALUMINIUM PRODUCTS – A STUDY

ABSTRACT OF THESIS

Submitted for award of

Ph.D.

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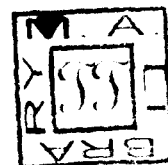
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2008



ABSTRACT OF THESIS

1.0 Introduction

Aluminium is a young metal of 120 years old when compared to steel, copper and other metals. In this short span, it has entered every walk of human life; from pots and pans to airplanes, rockets and to space-age equipments. More and more usages in industry are on the anvil to get advantage of inherent properties of aluminium products. The metal is next only to iron in tonnage and usage. The ongoing globalisation has touched the aluminium industry:

- The competition is leading to consolidation. Recent acquisition of Novalis, Canada by Aditya Birla Group for 6.1 billion US Dollars is a case in point. Similarly Aluminium Pachiney of France was purchased by Alcan of Canada last year.
- The companies are getting larger to global size
- Improvement in technologies
- Positive attitudes in logistics management
- Companies evolving global marketing approaches to meet the competition.
- Healthy global average annual growth of 3.5 percent and Indian growth of 8 percent.
- The prices of nonferrous metal in London Metal Exchange (LME) are bullish since last one year. LME is at high levels of US dollars 2710 per MT. The prices of alumina are also high accordingly. Export marketing of the aluminium products is lucrative.
- Indian aluminium companies have posted good profits and are increasing their capacities
- There is robust demand growth from China and South East Asian countries.

India is an important player in the aluminium sector in global markets, because of its abundant bauxite proven reserves of 3.04 billion MT. The bauxite is of quality and easy to mine which makes the country one of the lowest cost producers of the metal in the world. Around 4-5 MT of bauxite is required to produce one MT of aluminium. India's bauxite reserves are sufficient for 211 years of production. With production of 14 million tones in 2004, India accounted for around 8.7% of global bauxite production. India's production of aluminium aggregated 0.91 million MT in 2005, accounting for 3 % of global production.

Indian Aluminium Industry started in 1942 with a small capacity of 2500 MT/year plant by Indian Aluminium Company Limited. The plant was a collaboration effort by Alcan of Canada. Since then it has grown from strength to strength. Today it markets 1.2 million MT of aluminium primary metal and 1.00 million MT of alumina which is an intermediate product.

2 ½ MT Bauxite gives 1 MT of alumina which is a chemical in the form of white powder like white cement. It is mainly used to win aluminium metal. 2 MT of alumina brings 1 MT of aluminium metal. That is 5 MT of Bauxite makes 1 MT of aluminium.

Aluminium Industry globally has rapid growth since last 4 decades. It has 3000 uses. With its light weight and excellent properties it has wide uses from pots and pans to

air crafts and space age equipments. The global growth per annum is 3-5 percent. Indian is around 8%.

The idea of Research in the field of Global Marketing of aluminium products has its origins then in 2002. The researcher noticed in his experience the scattered, routine and old practices of global marketing. The efforts were temporary and did not have much impact. It was not a planned or team effort to utilise the resources or get maximum benefit to Indian Aluminium. That idea of global marketing has come in the present hypothesis of study.

1.1 Need for Research In Global Marketing of Aluminium Products

The study on global marketing of aluminium products and development of business from India is great importance considering the fact:

- 1) The Indian economy is doing well with consistent growth rates since last two decades.
- 2) The current rate of growth expected is around 9%.
- 3) To the growth in manufacturing aluminium sector in India are impressive. In 1992 the manufacturing capacity was 0.6 million M.T. and as on date it is 1.2 million M.T. The state of art technologies is being employed. The quality standards of the products are upgraded to international levels.
- 4) Globally in production and usage, aluminium stands next to steel.
- 5) Aluminium is a young metal of 130 years old which has captured every walk of human life from cable to rockets.
- 6) The recent acquisition of large company Novelis of Canada by Indian aluminium manufacturer HINDALCO show the managerial capabilities in Indian aluminium industries in addition to basic financial capabilities of large profits and huge cash reserves available in the sector. HINDALCO has an installed capacity to make 0.4 million M.T. of aluminium per year. Novelis acquisition will add 3 million tones of product to its portfolio and a large European customer base. In other words HINDALCO present turnover of Rs. 1100 Crore annually will increase to Rs. 5500 Crore annually. It is also interesting to note that HINDALCOs products are at the lower end of the value chain where as the Novelis at the higher end. The value of the deal is 6 billion dollars for the acquisition.

1.2 Various Dimensions of Research Problem

The reasons highlighted in the introduction has provided an ideal setting for the researcher to investigate what requires of an Indian aluminium company to take the opportunity in its stride. Further aluminium being a metal that is produced in commercial quantities only since 1886, Indian aluminium industry has a great opportunity to take on the global aluminium market. Given the rate of diffusion of technology, the information on prices and the organised bench mark of fixing prices, Indian aluminium industry has not caught up to its competitors world wide with a jolting phase. To compete globally apart from the technology and quality one also needs to construct a global marketing strategy that enables the Indian industry to reach far and wide. This study endeavors at bringing a comprehensive understanding from such a perspective.

A wide range of variables, not typically encountered by domestic firms, characterises the foreign marketing. That is why global marketing is considered multi-faceted. Despite the

complexities involved in global marketing, there are concepts and analytical tools that can help global marketers. Different marketing strategies suit different countries and an organisation should learn to adapt to these complexities to enhance global marketing share

2.0 Objectives

The objective of research are:

- 1) To study the government policies and the corporate strategies adopted by the aluminium industry.
- 2) To ascertain the competition situation of the aluminium industry and the competitive strategies adopted by the organisations in global markets.
- 3) To study the customer preferences in global markets.
- 4) To study the promotional methods adopted by the industry in global markets.
- 5) To develop future plans of the industry for gaining competitive edge over the other countries.

3.0 Alternate Hypotheses to The Study

- 1) There is no marked difference in futuristic mission set based on annual growth rates in global marketing. (alternate is hypothesis)
- 2) There is no marked difference in the attributes preferred for the global marketing on existing business dealing countries. (alternate is hypothesis)
- 3) There is no marked difference in the methods employed to derive competitive advantage based on existing business dealing countries. (alternate is hypothesis)
- 4) There is no marked difference in major marketing strategy chosen based on existing business dealing countries. (alternate is hypothesis)
- 5) There is no marked difference in promotional methods adopted based on annual growth rate in global marketing. (alternate is hypothesis)
- 6) There is no marked difference in the methods used to derive competitive advantage based on major marketing strategy. (alternate is hypothesis)
- 7) There is no marked difference in the methods used to derive competitive advantage based on different new countries. (alternate is hypothesis)
- 8) There is no marked difference in the promotional method suggested based on new business development countries. (alternate is hypothesis)
- 9) There is no marked difference in quality standard adopted based on the attribute insisted by the customer. (alternate is hypothesis)
- 10) There is no marked difference in quality standard adopted based on vital products the company manufactures. (alternate is hypothesis)

4.0 Hypothesis Testing

In all 10 cases null hypothesis are accepted implying that hypothesis are accepted.

- 1) Annual Growth in Global Marketing vide Futuristic Mission.
- 2) Existing Business Dealing Countries vide Attributes Required for Global Presence.
- 3) Existing Business Dealing Country and Method of Deriving Competitive Advantage.

- 4) Existing Business Dealing Countries vide Major Marketing Strategy Adopted.
- 5) Annual Growth Rate and Promotional Methods Adopted.
- 6) Major Marketing Strategy and Method of Deriving Competitive Advantage.
- 7) New Business Development Countries vide Futuristic Mission.
- 8) New Business Development Countries vide Promotional Method Suggested.
- 9) Quality Standard Adopted vide Attribute Customer Insists.
- 10) Vital Products Company Produces vide Quality Standards Adopted.

5.0 Indian Aluminium Marketing

India is 5th largest in Bauxite reserves and 7.6 per cent of world reserved. The first 4 are Guinea 22.8 per cent, Australia 20.2 per cent, Brazil 10 per cent and Vietnam 8.2 per cent of world reserves. The quality of Indian Bauxite is good with 52% aluminium oxide. Reserve 3.04 billion MT.

- Limitations are low capacity of production of metal at 1.3 million MT/year. No reliable and cheap power. Aluminium plants rely on their captive power plant 3 cents/unit.
- Low per capita consumption of 0.7 Kg. will give growth potential. This has happened in China in last 20 years.
- Good LME prices since last 2 years are bullish.
Aluminium: + 2400 US Dollars per M.T.
Alumina: + 350
- Current Indian exports now are:
1 million MT of Al metal
1.1 Million MT of alumina.

5.1 Global Aluminium Patterns

Global Aluminium demand pattern

- There is large growth in aluminium product demand in China.
- Demand in Western world is static.
- Medium growth in demand in Asian countries.

5.2 Global Marketing of Aluminium Products

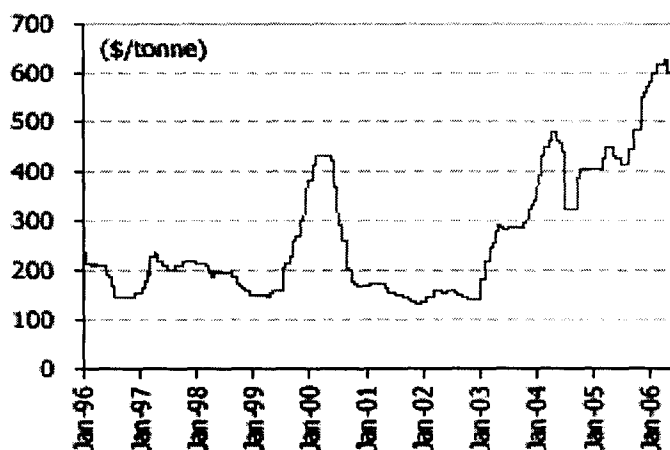
Among the 4 Ps of global marketing the 3 Ps apply in aluminium products being an industrial commodity. They are (i) Price, (ii) Product and (iii) Place. The three are discussed:

(A) Alumina Market Issues:

- A chemical product Al_2O_3 .
- Met grade Alumina market globally growing at 3%.
- Half of met grade Alumina, 25 MMT is traded on medium and short (spot) contracts. Balance 25 MMT is produced in-house.
- Alcoa USA is global leader in alumina.
- Trade controlled by a dozen traders in the field.

- Pricing based on
 - Fixed prices or tender prices.
 - London metal Exchange (LME) prices for aluminium metal.
 - On tolling basis.
- Quality and timely deliveries are important.
- Non metallurgical or chemical grade alumina market gives value addition and is a growing market.

The figure given under shows the LME price trends for spot alumina prices for 10 years period. The prices, as may be seen in the graph vary considerably. The variation is from 130 US \$ per MT to 630 US \$ per MT. It is hence imperative to be on lower side, cost wise to get advantage of sale on spot prices.



(Source: www.lme.co.uk)

Alumina: Spot Prices

(B) Aluminium metal:

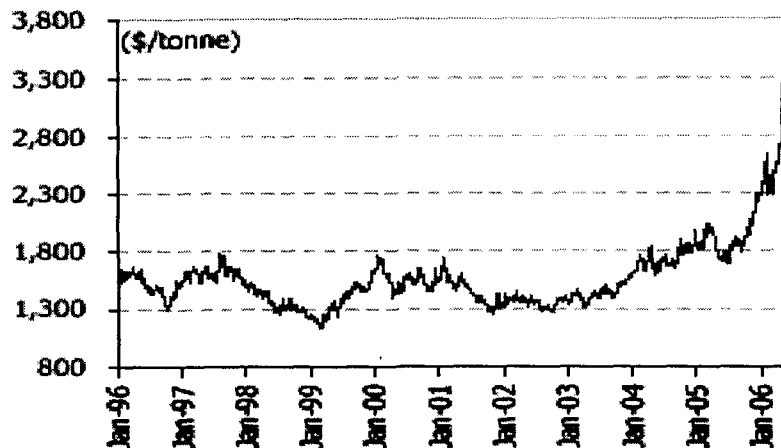
(i) **Price:** The export pricing for alumina and aluminium metal fall in five categories namely;

- LME based an screen based
- Forward contracts on LME prices
- Fixed price
- Combination of LME and fixed price formulae
- Tender base

a) **LME based prices:** The prices follow as per London Metal Exchange prices.

b) **Forward contracts on LME prices:** It is practice in non-ferrous metal marketing to book orders for tonnages for one or two year delivered. The deliveries will be on monthly basis. The price for each delivered lot will be usually previous month average LME price or 3 month average price. Sometime if the quality is good then a mutually agreed premium will be added to the price. This will be applicable for alumina too.

LME prices vary considerably within a day and over months. A graph showing LME spot prices for 10 years for aluminium metal is placed at figure below. The price during the period was in the band 1200 US \$ to 3300 US \$ per MT.



(Source: www.lme.co.uk)

Aluminium: Spot Prices

- c) **Fixed Price:** If the quantities are large and a definite price realization is necessary then companies enter into fixed price contracts like any other industrial commodity.
- d) Some sale agreements are based on formula incorporating fixed price in past and variable part based on LME. This system assumes a minimum price especially in Alumina marketing.
- e) **Tender base pricing:** Many government bodies in Asia follow tender system in fixing prices. The selected manufacturers will be requested to send sealed bids for delivery schedules of tonnage are given in the enquiry. The lowest bidder gets the contract. While quoting prices only the marketer has to take care of LME movements and profitability to the organisation.

Other price related aspects:

1. No hedging is done by Indian marketers.
2. No tolling is adopted by Indian companies. Numbers of European and Russian companies follow tolling.
3. Traders are important in the market due to historical reasons.
4. High cost of logistics.
5. Investors invest in aluminium as in others royal metals.

ii) **Product:** The quality and reliability play an important role in global markets. Indian aluminium industry is geared up to meet the quality requirements. It has built in systems to assure quality products.

iii) **Place:** The place or location gives advantages to Indian aluminium industry to supply to Asia, China and Europe. The transport costs will be relatively cheaper

5.3 Current and New Markets for Aluminium Products

The Researcher made special study of Secondary data where India can enter in global markets and global alliances that have long range prospects. The two growth countries noticed from the published statistics are Canada, China and West Asia. From analysis it is noted that entry in West Asia will be beneficial.

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- No tolling is resorted by Indian companies. Numbers of European and Russian companies follow tolling.
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5.4 Global Marketing of Aluminium Products

Demand patterns of aluminium region wise is shown in Table below:

'000 tonnes	2002	2003	2004	2005	2006
USA	5410	5695	6380	6380	6540
Japan	2200	2300	2370	2417	2466
Europe	6015	6315	6470	6664	6797
Asia	3533	3968	4307	4500	4700
Other	2482	2502	2543	2761	2851
Western World	19640	20780	22070	22723	23354
CIS	850	950	1000	1050	1200
China	4200	5200	6000	6700	7600
Other	690	822	881	922	968
Eastern Countries	5740	6972	7881	8672	9768
Total	25380	27752	29951	31395	33122

(Source: Macquarie Research, Page 4, October 2004)

Demand by Region

The long term projections of aluminium consumption and consequently consumption of metallurgical grade alumina is projected that for 47.20 million for year 2015 MT of metal the alumina of metallurgy grade required. This will be 95 million MT plus about 10% as chemical alumina should be approx 105 million MT. That is an additional manufacturing capacity of 3 million MT has to be build up every year.

5.5 Strategic Players in the Market

- Alcoa USA
- Alcan Canada
- Renolds USA
- Billiton Netherlands/UK
- Rusal Russia
- Aluminium Pacheiny France
- Sumitomo Japan

- Venalum Venezuela
- Glencore (Trader) Switzerland

5.6 India's Underlying Opportunity

- 4th largest economy on a PPP basis
- 2006E GDP growth > 8% p.a.
 - Robust industrial production growth
 - Accelerated investment in infrastructure
- Wealth of underexploited resources
 - 3rd largest worldwide reserves of iron ore
 - 4th largest worldwide reserves of coal
 - 5th largest worldwide reserves of bauxite
- Lower capital costs of setting up smelters/mining projects
- Talent availability
- Locational advantage
 - Supply to SE Asia / China
 - Alumina is an intermediate product to make or smelt aluminium metal. The logistics and delivery time are important for metal production schedules. Long range contract. The process is tuned to particular alumina. Here, the bargaining power of customer is low. In metal it is high.
 - The growth of aluminium, being an industrial product, markets depends on economic indicators of a country like GSP, FDI, consumption pattern, general usage, cost of substitute materials and the local government policies.

5.7 Global Aluminium Production Growth

The growth in Asian countries and China are quite impressive in 4 year period. The capacity growth Europe is slow.

6.0 Research Design

6.1 Framework of The Study

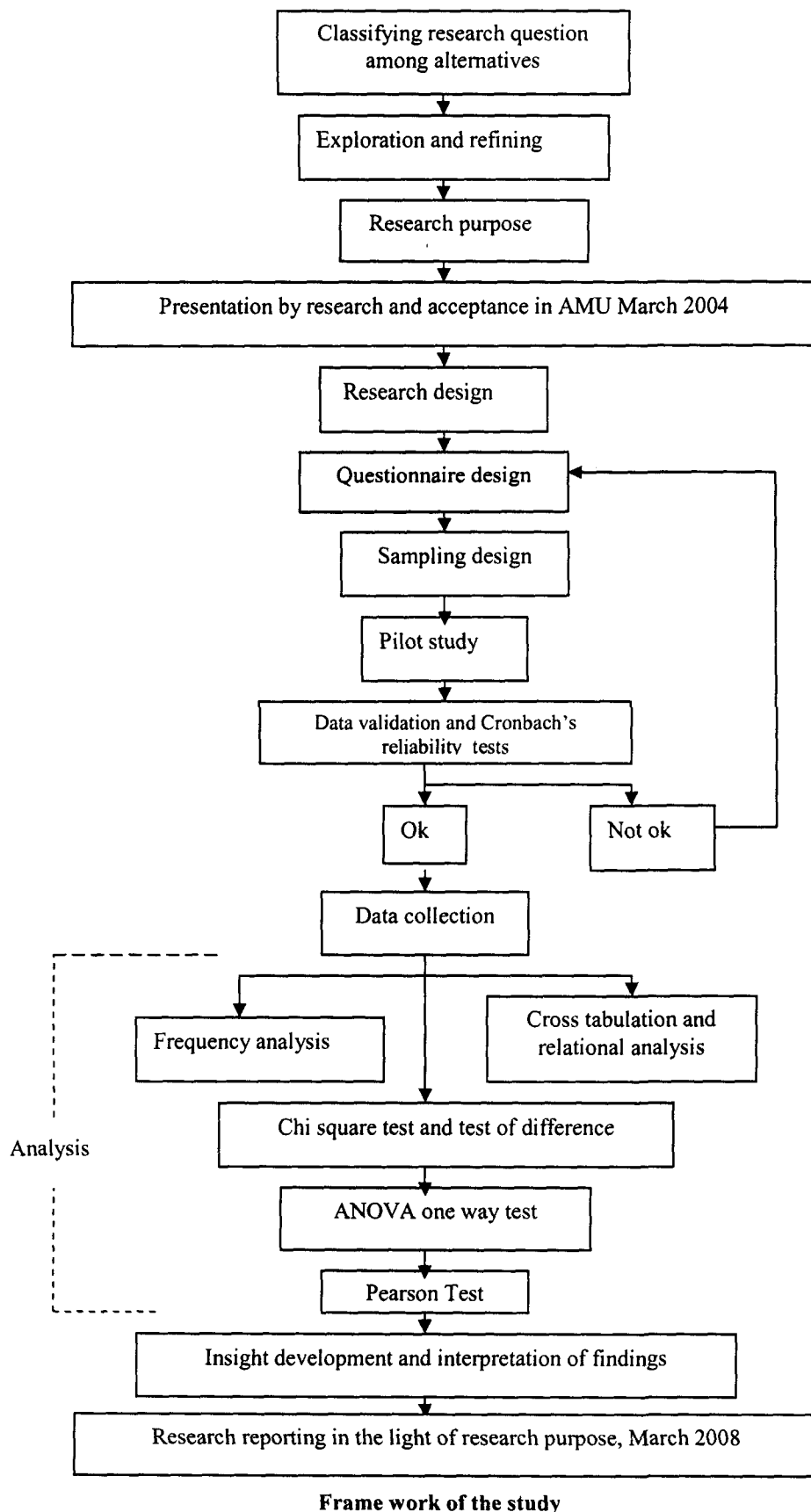
The researcher followed the following steps frame works for the study:

- 1) Preceding the researcher visualised the area of studies where he desires to extract detail meaning. A discussed different proposal with his guide, then a project is selected.
- 2) Classifying the research question: by exploration the management dilemma are perceived and the area is selected the literature review is made to get different perspectives if research proposal was made.
- 3) Research design: in this phone the different steps in the research were detailed regarding the type, purpose, timeframe, scope, and environment the phases are:
 - Data collection and preparing which included design of questionnaires collection sample size and application.
 - Data gathering which is unique to the particulars quantitative research
 - Insight development and interpretation of data.
 - Analysis and interpretation

- Decision by the research based on
- Report analysis preparation

In devising framework, the researcher

- Encountered curiosity, doubts and obstacles
- The problem statement was not easy. The existing knowledge gathering, more facts and moving from an emotional to intellectual confrontation with the problems.
- Hypotheses proposals were made that explain facts and that are believed to be logically related to the problem formulated alternate hypotheses.
- Conducted empirical test of draft questionnaire
- The questionnaires were sent to the selected sample population and the responses were collected. It was a time consuming process.
- Made statistic analysis and Chi-square tests. The computer programmes helped.
- Drew conclusions or inductive inferences based on acceptance or rejection of hypotheses. The framework of the research is given in fig below:



Primary – first hand information obtained by from the survey made.

Secondary data – published books, data from companies and market consultants. West Asia region was found attractive from the secondary data study

Parameters of study and conceptual relationships

Understand focus of manufacturers and their preparedness for global marketing challenges. Study is restricted to Alumina and primary aluminium metal in the form of ingots, billets, study in global marketing.

6.2 Research Instrument:

Primary Data: First hand information was obtained from the respondents through structured questionnaire. An interview schedule was constructed to elicit information from the respondents. The researcher chose an interview schedule since the respondent has to be reminded to answer the questions put forth in the questionnaire. Moreover, the researcher had a stringent requirement for the data to be pure and in all senses comprehend the very spirit of the questionnaire and thus the research. The researcher could also clarify any doubts to the respondent and explain the objective of each question when ever the respondent raised clarification.

Researcher had to construct two sets of questionnaires. One for enabling the profiling of the large aluminium industry in India and second questionnaire was distributed across all strata of respondents, the strata decided by the size, number of years in business and the position of the respondent in the organisation. The questionnaire was constructed and each section concentrated on particular aspect of the industry. The questions where both open ended and close ended. In close ended, questions consisted of dichotomous, multiple choice and rating scales, to elicit his association with the question posed. The questions also include investigative type wherein multiple choices have been given to the respondents. The investigation questions have given the foundation for creating the research data collection investment in addition measurements question.

Secondary Data: The sources for secondary information was from published annual reports of five aluminium producers in the country namely, Hindalco, Nalco, Balco, Indal and Malco, data from London Metal Exchange, Indian Aluminium Association, and studies published in various trade journals and conducted by various other organisations.

Literature Surveys: studied the current literature on the subject and found 121 articles of immense value. The articles range on related subjects like, global advertising, global marketing strategies for similar metals, entry strategies, relationships, ethics and social responsibilities

Sampling Plan: The researcher developed his research plan taking the respondents who had the requisite knowledge of the aluminium industry. The sample size was taken large to eliminate bias.

Parameters of Study and Conceptual Relationships: The main focus of the researcher to the study is to understand the attitude and preparedness of the manufacturers to meet the global marketing challenges and their commitment to explore markets outside India. The title of the project will neatly fit into International Marketing and preparedness of

Indian alumina and primary Aluminium to Global Marketing Challenges, hence aptly can be conceptualised as a Marketing Study.

The study deals in intermediary product namely, Aluminas and unwrought (pig) aluminium in the form of billets, ingots only. The study excludes value added products of aluminium metal like sheets, castings, wires, foils, extrusions, alloys etc. The first year of the tenth planning (2003-04) is the base year of this exploratory study.

Scale of refinement and validation:

The questions in the questionnaires were refined. The characteristics of a good measurement are that the tool should be an accurate indicator of what the researcher is interested in measuring. In addition the tool should be easy and efficient. The criteria for evaluation of a measurement tool are validity, reliability and practicality.

- ❖ **Validity:** means that we are measuring what we want to measure. There are a number of types of validity including:
 - **Face Validity** - whether at face value, the questions appear to be measuring the construct. This is largely a “common-sense” assessment, but also relies on knowledge of the way people respond to survey questions and common pitfalls in questionnaire design;
 - **Content Validity** - whether all important aspects of the construct are covered. Clear definitions of the construct and its components come in useful here;
 - **Criterion Validity/Predictive Validity** - whether scores on the questionnaire successfully predict a specific criterion.
 - **Concurrent Validity** - whether results of a new questionnaire are consistent with results of established measures.
- ❖ **Reliability:** Implies the consistency or repeatability of the measure. This is especially important if the measure is to be used on an on-going basis to detect change. There are several forms of reliability, including:
 - **Test-retest reliability** - whether repeating the test/questionnaire under the same conditions produces the same results; and
 - **Reliability within a scale** - that all the questions designed to measure a particular trait are indeed measuring the same trait.
- ❖ **Practicality:** Concerned with various factors, such as level of respondents, convenience, interpretability.

The validity of scientific measurement is ensured by making the data precise. The internal validity is ensured by the researcher by making the questionnaire to get data what it is supported to measure.

Reliability and validity

Validity of the questionnaire was very important to this survey. The questionnaire was administered on a sub-sample to assess the following validity – Face, Content, Criterion and Concurrent. On the ensuing discussion with the sub-sample and the analysis of the questionnaire, the researcher had modified the questionnaire to resolve the issues

raised and understood from discussions and analysis from the pilot study, to bring in greater clarity and precision. Thus the measure of validity was ensured.

The aspect of reliability was also ensured, by giving the questionnaire to the same respondents in the sub sample at different points in time. The closeness of the open ended questions and the repeated choice of the same alternative had ensured the questionnaire's reliability of its application and ensuring the eliciting of adequate data for analysis.

Cronbach's test of reliability

The internal consistency reliability of the questionnaires was checked by Cronbach's Co-efficient alpha tests. The tests indicate the consistency of multiple item scale questions made.

6.3 Sampling Procedure

Development Procedure

The researcher developed his research plan based on a snow ball sampling method, in the sense, all companies whose production collectively amounted to more than 75% of the total primary metal production in India, were included as respondents. Three companies, namely National Aluminium, Hindustan Aluminium and Madras Aluminium qualified as the candidate for being a respondent, for answering the profiling questionnaire. With respect to the general questionnaire, the researcher adopted a snow ball sampling technique, which helped the researcher to identify the respondent who

Sl. No	Industry segment	Total no. of persons available with knowledge (universe)	Sample chosen at random Nos.	No of Cos.	Replies received
1	Primary produces	124	31	3	26
2	Alloy makers	8	2	1	1
3	Extruders	12	3	2	2
4	Sheet producers	12	3	2	3
5	Foil producers	8	2	1	2
6	Forging producers	4	1	-	-
7	Casting producers	8	2	1	2
8	Electrical cables	9	2	2	2
9	Channel players	10	3	2	3
10	Experts in the field/ End users	12	3	-	2
		207	52 questionnaires sent	14	43

possessed the requisite knowledge to answer the general questionnaire.

Snow Ball Sampling

The universe of knowledgeable persons in the industry was checked from Aluminium Association of India by discussions. As no written data is available on the subject, there are about 207 knowledgeable officers who know global marketing of alumina and aluminium metal. The names of the knowledgeable people who know

aluminium global business were collected from aluminium association and further cross checked by discussions with the senior officers of the exporting companies.

Stratified Random Sampling

Stratified random sampling was adopted to cover all important sections of the industry for the study of the industrial product specially the aluminium export, being the theme of the study. Randomness in the universe of 207 numbers and choosing to 52 in total and going as per each category was achieved by 207 numbers of chits and picking the paper chits at random. The method adopted is considered appropriate for getting the requisite responses for the questionnaire framed. Unless the researcher understands the universe and its classification, he could not have developed the procedure for stratifying the sample selection from the universe.

The summary of the sampling adopted are:

The sample size of 52 (fairly a large sample to provide a normal distribution) out of 14 companies qualified to be the respondent to this survey, based on stratified random sampling criteria set in by the researcher to eliminate the bias. This sampling plan enabled the researcher to cover all the players for the general questionnaire enabling the researcher to achieve the objectivity of studying the Indian Aluminium Industry holistically.

Demographic Information of the Customer (sample profile)

- Officers at different levels in aluminium manufacturing. The officer's works in different development and location in India.
- Officers in other aluminium companies like, casting, extrusion, forging, fabrication, packing, building and construction, exporters and the like who are users of aluminium products in different forms.
- Small industry owned and partners who use these products.
- Marketers and exporters of aluminium products.
- End users of the products.

6.4 Data Analysis

Frequency and cross table analysis

In the first phase of response analysis, the 43 numbers of responses received were collated, studied and tabulated. The statistical analysis of each of the question in the questionnaire was made with the help of a computer programme. The responses were tabulated in frequency tables. In case of multiple choice questions, the frequency of each response to each attribute was taken into account. Here the valid total choices will be more. Based on the frequencies a graph showing the frequency and options in question was drawn. Inferences were made which represented the opinion of the respondents. The details are given in sub chapter 4.1

In the second phase of analysis, cross tables were made to bring in the relationship aspects between different parameters and find percentage of responses. The attributes are:

- Customer satisfaction and ownership type
- Mode of communication and ownership type

- Major marketing strategies and ownership type

In phase three, the ten hypotheses were tested by Chi-Square testing. The results were recorded after each test.

Rationale for using the frequency and cross table analysis

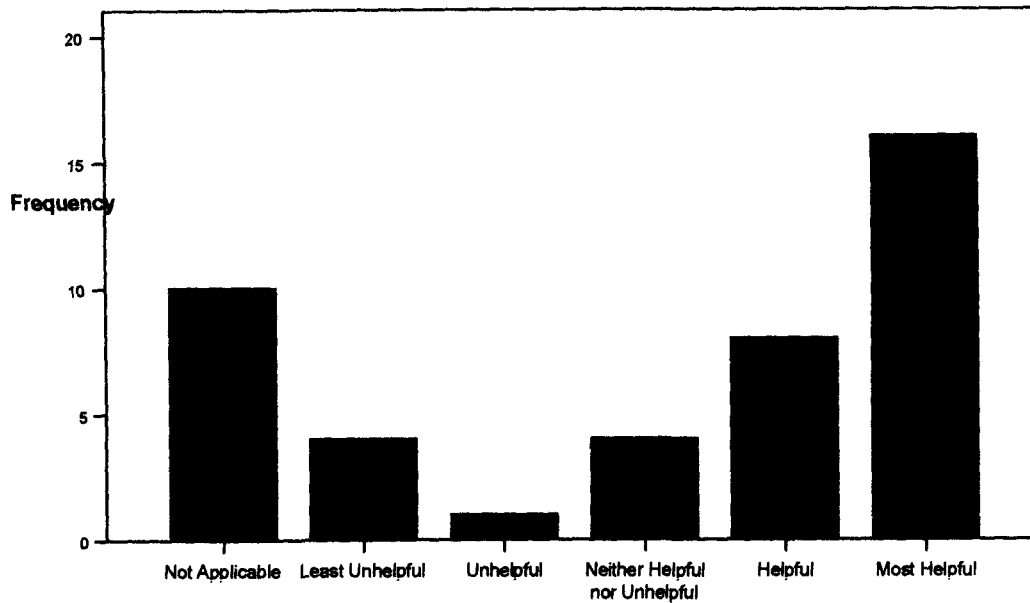
Frequency table is a simple device for arranging data. It gives data by assigned numerical value with columns for percent, valid percent adjusting for missing data and cumulative percents. The other co-ordinate will be the response variable. The data is presented in tabular format and by pie chart or a bar chart. The values and percentages are more easily understood in this graphic format. In graphs by visualisation the relative positions are appreciated. This simple technique is used by the researcher.

Cross tabulation is a technique for comparing data from two or more categorical variables. Cross tabulation is used with demographic variables and target study of the variable with operationalised measurement questions. Cross tables will have rows and columns showing to the level of variables. Each cell count of the cases of joint classification of rows and column percentages and total percentages are noted. This technique is used by the researcher in this study.

Role of Global Traders in Alumina Marketing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Applicable	10	23.3	23.3	23.3
	Least Unhelpful	4	9.3	9.3	32.6
	Unhelpful	1	2.3	2.3	34.9
	Neither Helpful nor Unhelpful	4	9.3	9.3	44.2
	Helpful	8	18.6	18.6	62.8
	Most Helpful	16	37.2	37.2	100.0
	Total	43	100.0	100.0	

Role of Global Traders in Alumina Marketing



Inference:

The firms use different methods to understand the nature of country and the markets in which they prefer to enter. The researcher with the above tries to understand the role of global traders in facilitating international markets.

With respect helpfulness of the role of global traders, 37.2% of the respondents felt their role as most helpful; where as 18.6% felt their role to be helpful and 9.3% felt that their role is least helpful. 23.3% of the respondents did not fall under the purview of this question.

6.5 Hypothesis Testing:

An example of hypothesis test done is:

Major Marketing Strategy and Method of Deriving Competitive Advantage

	Quality Product	Customer Service	Customer Base	Right Price	Product Promotion	Row Total
Expand Customer Base	24	20	19	19	18	100
Right Quality Product	31	25	23	27	22	128
Good Customer Service	29	26	24	24	21	124
Competitive Price	24	21	20	23	19	107
Promotion	20	17	16	18	17	88
Column Total	128	109	102	111	97	547

	Quality Product	Customer Service	Customer Base	Right Price	Product Promotion	Row Total
Expand Customer Base	23.4	19.93	18.65	20.29	17.73	100
Right Quality Product	29.95	25.51	23.87	25.97	22.7	128
Good Customer Service	29.02	24.71	23.12	25.16	21.99	124
Competitive Price	25.04	21.32	19.95	21.71	18.97	107
Promotion	20.59	17.54	16.41	17.86	15.61	88
Column Total	128	109	102	111	97	547

Formulated Hypothesis

H_0 : There is no marked difference in the methods used to derive competitive advantage based on major marketing strategy.

H_1 : There is marked difference in the methods used to derive competitive advantage based on major marketing strategy.

Choice of Test of Hypothesis: The sampling being judgmental, non-parametric statistic needs to be used. χ^2 being both a parametric and non-parametric is considered adequate test for the situation.

Criterion for accepting or rejecting the null hypothesis:

If the probability of the χ^2 statistic calculated is less than 0.05, reject the null hypothesis and accept alternative hypothesis; else accept null hypothesis.

Result:

The probability of χ^2 is 1, being greater than 0.05, the null hypothesis accepted, implying that there is no marked difference in the methods used to derive competitive advantage based on major marketing strategy.

6.6 The One Way ANOVA Tests

The One-Way ANOVA compares the mean of one or more groups based on one independent variable (or factor).

Hypotheses

Null: There are no significant differences between the groups' mean scores.
 Alternate: There is a significant difference between the groups' mean scores.

**One Way ANOVA –
Global Presence Attribute, Factor based on the position of the respondent**

		Sum of Squares	df	Mean Square	F	Sig.
Global Presence Attribute - Promotion	Between Groups	.955	2	.478	1.952	.155
	Within Groups	9.789	40	.245		
	Total	10.744	42			
Global Presence Attribute - Quality of Product	Between Groups	.652	2	.326	3.464	.041
	Within Groups	3.766	40	.094		
	Total	4.419	42			
Global Presence Attribute - Market Share	Between Groups	.391	2	.196	.948	.396
	Within Groups	8.260	40	.206		
	Total	8.651	42			
Global Presence Attribute - High Tech Production Facility	Between Groups	1.381	2	.690	2.994	.061
	Within Groups	9.224	40	.231		
	Total	10.605	42			
Global Presence Attribute - Favourable Government Policy	Between Groups	.744	2	.372	2.001	.149
	Within Groups	7.442	40	.186		
	Total	8.186	42			
Global Presence Attribute - Does not exist	Between Groups	.011	2	.006	.223	.801
	Within Groups	.964	38	.025		
	Total	.976	40			

Inference: The researcher from the above table understands that there is a significant difference in the mean scores for Global Presence Attribute classified based on the position of the respondent. This implies the way the management thinks about Quality of Product and High Tech Production attribute are the two differences among the groups and all other factors are considered similarly by the respondents. This is validated by the significance levels less than 0.10 significance.

6.7 Pearson Correlation Test

The Pearson R correlation tells you the magnitude and direction of the association between two variables that are on an interval or ratio scale. The correlation coefficient is a number between +1 and -1. This number tells us about the magnitude and direction of the association between two variables.

The MAGNITUDE is the strength of the correlation. The closer the correlation is to either +1 or -1, the stronger the correlation. If the correlation is 0 or very close to zero, there is no association between the two variables.

The DIRECTION of the correlation tells us how the two variables are related. If the correlation is positive, the two variables have a positive relationship (as one increases, the other also increases). If the correlation is negative, the two variables have a negative relationship (as one increases, the other decreases).

Preferred Mode of Global Entry Strategy and Adequacy of Marketing Strategy

Preferred Mode of Entry - International Markets * Adequacy of Marketing Strategy Cross tabulation					
Count					
		Adequacy of Marketing Strategy			
		No	Yes	Maybe	Total
Preferred Mode of Entry - International Markets	Direct Method	2	10	7	19
	Indirect Method	0	0	6	6
	Direct and Indirect Methods	0	2	1	3
	All Methods	2	9	4	15
	Total	4	21	18	43

Symmetric Measures					
		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Interval by Interval	Pearson's R	-.183	.149	-1.190	.241 ^c
Ordinal by Ordinal	Spearman Correlation	-.079	.156	-.509	.614 ^c
N of Valid Cases		43			
a. Not assuming the null hypothesis.					
b. Using the asymptotic standard error assuming the null hypothesis.					
c. Based on normal approximation.					

Inference: Researcher from table 5.4.2 come to understand that the adequacy of the marketing strategy's influence over global entry strategy is null. It implies that the adequacy of marketing strategy does not influence the entry strategy devised by each

respondent. This result is derived from Spearman Correlation, which provides a correlation value of -0.079, implying no correlation.

Achievement of Objectivity

By large sampling of 43 responses out of a total universe of approx. 207 in all section of the industry and geography in aluminium industry; consisted of 14 companies.

- SSI Units
- Medium Scale Units.
- Large Units
- Public Sector
- End Users
- Marketers, Logistics and Planners.

6.8 Limitations of Study

- Geographical scatterings of the respondents from whom the data needs to be collected.
- Since majority of the respondents identified for this survey where from top management and middle management cadres of 14 companies. Getting their time for the survey was indeed a limitation.
- The limitation is also the number of respondents who had the requisite knowledge on all the aspects of the industry and in particular in global marketing of the product.
- The number of large channel players (the marketing channels) in this industry.

7.0 Findings

General respondents

- The two predominant modes of communication among the respondents of aluminium industry are direct face to face communication, backed up by emails, telephone and posts.
- The frequency of assessing customer satisfaction by the respondents from the aluminium industry is half yearly. Customer meets are organized predominantly once in year by the respondents of aluminium industry.
- The prime producers of aluminium are supplying right quantity and quality goods to their customers. More than half of the respondents possess a average finished goods inventory of 2 weeks and a fifth of the respondents had a average inventory of one month.
- The major marketing strategy adopted by Indian Aluminium Industry is the production of right quality product, supported by creation of good customer base and competitive pricing.
- Futuristic mission based on the position of the respondent: Proprietors/ partners set the futuristic mission for the company as expanding capacity for global competition, producing quality product and improving customer service.
- Effect of long term economic policies based on position of the respondent: Both middle management and top management opined that economic policies are helpful; while proprietary/ partnership respondents felt otherwise.

- Major Marketing Strategy based on ownership type: Proprietary firms and partnership firms adopted predominantly right quality and competitive pricing as their marketing strategy; while limited companies adopted customer service as predominant strategy followed by right quality product.
- Attitude towards the usefulness of branding based on ownership type: Proprietary firms and limited company predominantly accepted that branding is useful for enhancing their marketing capability

Respondents from manufacturers

- Nearly half of the respondents paid fixed percent royalty; while a quarter employed profit sharing method and the rest, fixed fee agreements.
- Half of the respondents felt that the impact of the government policies on the production activities is average.
- New collaborations and innovation are perceived as most helpful corporate strategies, for the development of global markets.
- Both forward and backward integration are used by companies in Indian Aluminium Industry.
- The attrition rate of the marketing employees in the industry varies significantly from company to company, some having as low as less than 5% and some as high as 20 to 30%.
- Attending immediately to the complaint, conducting discussion across the table, proper and regular interaction with the customers are the measures adopted by Indian Aluminium Industry to redress complaints from their customers.

7.1 Conclusion

Aluminium being an important metal of the future and has good growth prospects due to its profound existing application and new application is being developed internationally. In Aluminium industry technology provides the distinguished quality leadership, coupled with excellent logistics and waste reduction can also help achieve the objective of cost reduction too (Aluminium industry is a price sensitive industry) which will propel Indian Aluminium industry much better among international competitors. The Indian Aluminium industry recognizes the need to leverage on their existing core competencies and build new ones in the areas of quality, value addition to customers, competitive pricing and better customer service. To achieve the international quality standards Indian Aluminium firms are aligning either to LME standards. Indian Aluminium industry players should recognize that being a demand oriented market and industrial market; customers will have the upper hand in terms of quality, timely supplies, reliability and value for their money. The procedure of tolling is prevalent in this industry than the existence of counter trade which can be assumed nil. Indian Aluminium industry agrees that faster growth can be achieved in terms of spread and geography through the route of acquisition and joint venture.

Indian aluminium industry currently exports to United Kingdom, United States of America, Dubai and other countries like China, South Korea and Canada. To gain an export market all of the attributes, say promotion, quality of product, customer base and service, high technology production facility and favourable government policy are required. Analysis by researcher suggests that no single factor can help capture

International markets. Thus the firm exporting and seeking for international markets should develop holistic strategies, rather than concentrating on any one attribute. Moreover to derive competitive advantage by Indian Aluminium firms abroad, again a complete strategy focusing on producing quality product, excellent customer service, country specific pricing and better product promotion has to be envisaged. What the researcher has evolved from this work is that, a complete inclusion and development of these attributes, levels the success of Indian aluminium industry internationally and can help compete with established players in global market and gain a niche for itself.

7.2 Recommendations

- Speed up at which entry to most of the unexplored markets. This will provide a substantial edge. It will definitely provide first.
- Seriousness of our presence to international customers, setting offices in the country of export is essential.
- Strategic vendor relationship with industrial consumers them understand the commitment of Indian aluminium industry to their objectives we can lock these industrial consumers and can make.
- A consortium can be set up by these firms in the industry, such that we extent the natural resource advantage to national competitive advantage in this industry.
- Follow steel example in acquisition and management contracts for global growth
- Quality up gradation: as quality viewed in itself as a strategy can attract customer to Indian Aluminium Sector
- Global Marketing strategies to suit specific markets to be evolved.
- Government of India should allow import of old plants for speedier project implementation to increase capacity.
- Aluminium industry may build its own infrastructure like rail wagons or ships for its growth or enter into long term.
- As a global marketing strategy companies should go for long term contracts based on LME average prices.
- The process of standardisation should be evolved by Indian best quality is the minimum standardization.
- Industry should look for value growth by acquisition, joint venture or by managing sick units in line with growth on fast lane like steel industry.
- Indian companies should make all endeavors to acquire stakes in bauxite rich mines as is being done oil exploration.
- Plan value addition in phases to better margins. Value addition brings in more margins.
- Acquire state of art technology to stand in competitive markets.
- Regular customer meets overseas to facilitate interaction and understand their requirements.
- Advertisement for aluminium as a commodity by the industry to popularise the per capita consumption of aluminium in developing world.
- Proactive approach in market regarding pricing, service and attending customer complaints.

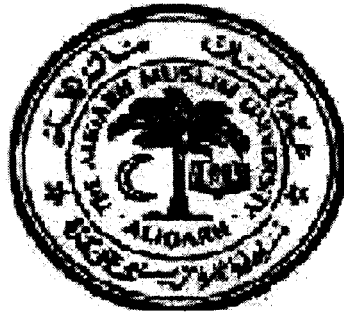
7.3 Proposed Model for Aluminium

- Proactive approach in market regarding pricing, service and attending customer complaints in global markets.
- To evolve global entry and promotional methods.
- Industry should look for value growth by acquisition, joint venture or by managing sick units in line with global growth on fast lane like steel industry.
- Acquire state of art technology to stand in competitive markets. Technology is the key word in processing industry in global competition.
- Regular customer meets overseas to facilitate interaction and understand their requirements which enable the Indian aluminium industry to become strategic partners which will enable easy access to global markets.
- As a global marketing strategy companies should go for long term contracts based on LME average prices, on put and call basis or suitable formula to develop large customer base.

7.4 Future Study

This dissertation has brought an initial perspective to an organized study of Indian Aluminium Industry in the light of Global Marketing approaches. This industry is receptive to many such studies at the micro level – such as pricing aspects, channel aspects, cultural aspects, selection of markets, entry and establishment strategies, production and technological aspects in the international dimension. Moreover an exploration from the angle of customers and consumers with respect to their expectation from Indian Aluminium Industry can be envisaged.

To be specific, a research on country specific pricing strategies can be considered, as a good understanding of domestic price mechanism, tax structure and policies of the local government helps Indian Aluminium Industry to set prices in more pragmatic manner. A study on the influence of Government on Aluminium Industry requirements to evolve long range strategies for development of global markets for aluminium products on sustained basis can be endeavored. A study to understand, benchmark International Production Practices to be introduced in Indian Aluminium Sector to induce competitive advantages can also be furthered.



GLOBAL MARKETING STRATEGIES FOR INDIAN ALUMINIUM PRODUCTS – A STUDY

THESIS

**Submitted for award of
Ph.D.**

By

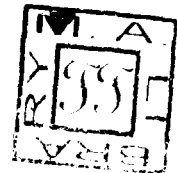
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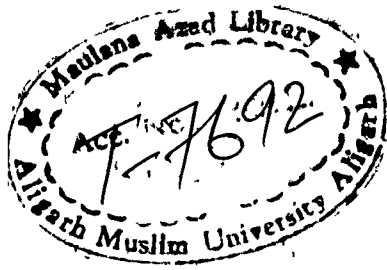
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2008**



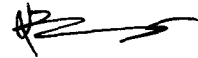
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DECLARATION

I declare that the thesis entitled “**Global Marketing Strategies for Indian Aluminium Products – A study**” is a record of bona fide research carried out by me under the guidance of **Internal Advisor: Dr. Salma Ahmad, Reader, Department of Business Administration, Aligarh Muslim University, Aligarh, India** and **External Advisor: Dr. N.S. Viswanath, Director, BVB-Marshall Institute of Management, Bangalore**. I further declare that this thesis has not previously formed the basis for award of any degree, diploma or any other similar title of recognition of any other university or Institute.

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CERTIFICATE

This is to certify that thesis titled “**Global Marketing Strategies for Indian Aluminium Products – A Study**”, submitted to the Faculty of Management studies & Research, Aligarh Muslim University, Aligarh, India for the award of Ph.D. (Business Administration) is a record of original work done by Mr. Narayansa Vithobsa Badi during the period of his study in the Department of Business Administration, Aligarh Muslim University, Aligarh, under my supervision and guidance as Internal Guide. To the best of my knowledge and belief the thesis has not previously formed the basis for the award of any Degree/Diploma/Associate ship or similar or any other similar title to any candidate of this university or anywhere else.

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N. S. Viswanath

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CONTENTS

Acknowledgement.....	8
Preface	9
List of Tables	10
List of Figures	13

Chapter 1 : An overview of Global Marketing of Aluminium Products.....14 -59

1.1	Market scenario of non-ferrous metals	15
1.2	Global Aluminium Market Outlook	21
1.3	LME Operations	25
1.4	Global market scenario of aluminium products	27
1.5	Global Aluminium Product Marketing	33
1.5.1	Marketing of Primary Aluminium metal	41
1.5.2	Export of Aluminium Metal	42
1.5.3	Choice of Entry Modes in Global Markets for Aluminium	50
1.5.4	Global Marketing Strategies for Indian Aluminium Industry.....	50
1.5.5	Current and new markets for aluminium products	54
1.6	Framework of the study.....	55
1.7	Rationale of the study	58
1.8	About Aluminium.....	58
1.9	Need for research in global marketing of aluminium products	58
1.10	Various dimensions of research problem.....	59
1.11	Benefits of the study	60

Chapter 2 : Literature Survey.....61-117

2.1	Research carried out in the field of global marketing and topic related literature	62
2.2	Research carried out in the field of current literature on global marketing aspects such as global advertising, global marketing strategies, global pricing strategies, service strategies, entry strategies, global branding, relationships, ethics and social responsibility	79

Chapter 3 : Research Methodology.....118-126

3.1	The problem in Indian Aluminium sector	119
3.2	The objective of research	119
3.3	Hypothesis of the study	119
3.4	Research design	120
3.4.1	Research instrument	120
3.4.2	Scale of refinement and validation of questionnaire	121
3.4.3	Reliability and validity	122

3.4.4	Internal consistency for multiple item scales (Cronbach's Coefficient Alpha Test).....	122
3.5	Sampling procedure	124
3.5.1	Development procedure	124
3.5.2	Demographic information of the customer (sample profile)	126
3.6	Method of analysis	126
3.6.1	Frequency and cross table analysis	126
3.6.2	Rationale for using the frequency and cross table analysis	127
3.7	Statistical analysis	127
3.7.1	Frequency table and bar chart and pie chart.	127
3.7.2	Cross tabulation	127
3.7.3	Hypotheses testing	128
3.8	Limitations of the study	128
<hr/>		
Chapter 4 :	Data Analysis.....	129-226
4.1	Frequency analysis	130
4.2	Data analysis and inferences	132
4.3	Cross table for variables	181
<hr/>		
Chapter 5 :	Conclusions, Recommendations and Future Directions of227-254	
	Research	
5.1	Summary of findings	228
5.2	Hypothesis testing	238
5.3	The one way ANOVA test	247
5.4	Pearson correlation test	249
5.5	Conclusions	251
5.6	Proposed recommendations and suggestions	252
5.7	Proposed model for Indian aluminium industry	254
5.8	Future direction of research	254
<hr/>		
Bibliography and webliography		255-267
<hr/>		
Appendices		268-289
Appendix I	: Operational definitions of terms used	269
Appendix II	: LME trends	271
Appendix V	: Questionnaire – manufacturers	281
Appendix IV	: Questionnaire – Others	289
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ACKNOWLEDGEMENTS

It is matter of honor for me to express my gratitude towards all those who guided me directly and indirectly in completing this thesis. I would like to specially thank,

Dr.N. S. Viswanath, Dr. Salma Ahamed for guiding me throughout this project.

Shri P.K.Routray Director (Production), NALCO, for all support and facilities provided,

Dr. P.K.Satapathy Chief Manager, NALCO, for giving valuable guidance to me throughout this project,

Shri Arun B. Pawar, Sr. Vice President, HINDALCO and Shri Jagdishwar Toppo of ENAM Securities, Mumbai for providing valuable data source, information and giving me an opportunity to do the research project on the subject

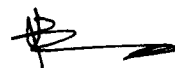
And

Above all I thank **Almighty** for His blessings for the completion of this endeavor.

Date: 02-06-2008

Place: Bangalore.

(Narayansa Vithobsa Badi)



Signature

PREFACE

Aluminium is a young metal of 120 years old as compared to steel, copper and other metals. In this short span, it has entered every walk of human life; from pots and pans to airplanes, rockets and to space-age equipments. More and more usages in industry are on the anvil to get advantage of inherent properties of aluminium products. The metal is next only to iron in tonnage and usage. The ongoing globalisation has touched the aluminium industry:

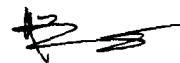
- The competition is leading to consolidation. Recent acquisition of Novalis, Canada by Aditya Birla Group for 6.1 billion US Dollars is a case in point. Similarly Aluminium Pacheiny of France was purchased by Alcan of Canada last year.
- The companies are getting larger to global size
- Improvement in technologies are taking place
- Positive attitudes in logistics management
- Companies evolving global marketing approaches to meet the competition.
- Healthy global average annual growth of 3.5 percent and Indian growth of 8 percent.
- The prices of nonferrous metal in London Metal Exchange (LME) are bullish since last one year. LME is at high levels of US dollars 2710 per MT. The prices of alumina are also high accordingly. Export marketing of the aluminium products is lucrative.
- Indian aluminium companies have posted good profits and are increasing their capacities
- There is robust demand growth from China and South East Asian countries.

India is an important player in the aluminium sector in global markets, because of its abundant bauxite proven reserves of 3.04 billion MT. The bauxite is of quality and easy to mine which makes the country one of the lowest cost producers of the metal in the world. Around 5 MT of bauxite is required to produce one MT of aluminium. India's bauxite reserves are sufficient for 211 years of production. With production of 14 million tones in 2004, India accounted for around 8.7% of global bauxite production. India's production of aluminium aggregated 1.20 million MT in 2006, accounting for 3 % of global production.

India was an importer of aluminium products till 1987. Since 1998 with National Aluminium Company Limited going into operation, the exports started. In about a decade, India has been exporting its products to about 30 countries. The vast natural resources, bauxite in India could make India a global player in the field. It calls for better understanding of global market and put efforts in developing these markets. The present export revenues are around one billion US dollars per year. The researcher has aimed at studying the strategies for global marketing in this growth area for India.

Bangalore,

Date : 02-06-2008



(N. V. Badi)

List of Tables

No.	Particulars	Page No.
1.1	The India 21	16
1.2	Global Primary Aluminium Supply and Demand Outlook	22
1.3	Aluminium Production and Consumption (in 1000 tons)	23
1.4	Greenfield Refineries: 1980-2005	24
1.5	Indian Foreign Trade	29
1.6	Projected World Alumina Growth Scenario	34
1.7	Supply, Demand Summary for Global Metallurgical Grade Alumina	36
1.8	Indian Alumina Production and Exports	36
1.9	Alumina Spot Prices	37
1.10	Domestic Metal Scenario	45
1.11	Aluminium Consumption Pattern in India	46
1.12	Per Capita Consumption of Aluminium	47
1.13	Sector wise Consumption at Aluminium in India	47
1.14	World Consumption Pattern of Aluminium	47
1.15	Demand by Region	48
2.1	Global Marketing Strategies of some MNC's	67
2.2	Orientation of Organisational Thinking	68
2.3	Top 500 MNCs	76
3.4.4.a	Cronbach's reliability table	122
3.4.4.b	Cronbach's reliability table	124
4.2.1	Position of the Respondent	131
4.2.2	Type of Ownership	132
4.2.3	No. of Years in Business	133
4.2.4	Annual Turnover, 2005 - 06 (in crores)	134
4.2.5	How Central Govt. Policies affect the marketing efforts of the products	135
4.2.6	How State Govt. Policies affects the marketing efforts of the products	136
4.2.7	How Local Municipal Policies affect the marketing efforts of the products	137
4.2.8	How Govt. Taxes and Tariffs affect the marketing efforts of the Products	138
4.2.9	How Long Term Economic Policies affect the marketing efforts of the products?	139
4.2.10	Method of Accessing Customer Satisfaction	140
4.2.11	Do you arrange regular customer meet? If Yes, Intervals	141
4.2.12	Level of Competition in Local Markets	142
4.2.13	Level of Competition among substitute products	143
4.2.14	Finished Goods Inventory Held	144
4.2.15	Futuristic Mission for Aluminium Industry	145
4.2.16	Methods Adopted in Deriving Competitive Advantage	146
4.2.17	Existing Business Dealing Countries	147
4.2.18	Value Addition Tried in Global Marketing	148

4.2.19	Product Attribute Customer Insists	149
4.2.20	Attribute Required for Global Attribute	150
4.2.21	New Business Development Countries	151
4.2.22	Major Marketing Strategy	152
4.2.23	Adequacy of Marketing Strategy	153
4.2.24	Marketing Strategies similar to that of Competitors	154
4.2.25	Employ Marketing Consultants on Retainer-ship Basis	155
4.2.26	Regular Marketing Review	156
4.2.27	Authority Chairing Marketing Review Meeting	157
4.2.28	LME Based Trading Good for Alumina and Aluminium Business	158
4.2.29	Incentives Offered to Bulk and Regular Buyers.	159
4.2.30	Fixing Pricing for Export of Alumina	160
4.2.31	Fixing Price of Primary Aluminium Metal	161
4.2.32	Marketing Channel Chosen	162
4.2.33	Aluminium Marketing Channel	163
4.2.34	Aluminium Association of India's help in Global Marketing	164
4.2.35	Reasons for Helping or Not Helping	165
4.2.36	Role of Global Traders in Alumina Marketing	167
4.2.37	Role of Global Traders in Aluminium Marketing	168
4.2.38	Role of LME in Global Trade for Alumina	169
4.2.39	Role of LME in Global Trade for Aluminium	170
4.2.40	Will Branding Help Marketing of Aluminium and Alumina	171
4.2.41	Quality Standards Adopted	172
4.2.42	Logistics Adopted by Prime Producers Alumina	173
4.2.43	Logistics Adopted by Prime Producers Aluminium	174
4.2.44	Satisfaction with respect to service provided by Primary Producers	175
4.2.45	Problems Anticipated in Global Marketing	176
4.2.46	Projection of India's Share in International Alumina Marketing - next 3 years	177
4.2.47	Hedging Recommended in Marketing Activities	178
4.2.48	Recommend Overseas Tolling Arrangements	179
4.2.49	Preferred Mode of Global Entry Strategy	180
4.3.1	Assessing Customer Satisfaction vide Ownership type	181
4.3.2	Futuristic Mission of Aluminium Industry vide Position of the Respondent	182
4.3.3	Influence of Government Policies vide Position of the Respondent	183
4.3.4	Influence of State Government Policies vide Position of the Respondent	184
4.3.5	Influence of Municipal Policies vide Position of the Respondent	185
4.3.6	Influence of Taxes and Tariffs on Marketing Effort vide Position of the Respondent	186
4.3.7	Effect of Long Term Economic Policies vide Position of the Respondent	187
4.3.8	Products of the organisation vide Attributes required for global presence	188
4.3.9	Existing Business Dealing Countries vide Attributes Required for Global Presence	190
4.3.10	Major Marketing Strategy vide Ownership Type	192

4.3.11	Major Marketing Strategy vide No or years in Business	193
4.3.12	Annual turnover and Major Marketing Strategy Adopted	194
4.3.13	Major Marketing Strategy Adopted vide Vital Products Produced	196
4.3.14	Ownership type and its Influence on Branding	197
4.3.15	Products of the Organisation vs Attitude towards Branding	198
4.3.16	Futuristic Mission of the Organisation vs Branding Attitude	199
4.3.17	Existing Business Dealing Countries and its Influence on Branding	201
4.3.18	Methods Used to Derive Competitive Advantage vis-à-vis Attitude towards Branding	202
4.3.19	Futuristic Mission for Aluminium Industry vide Type of Ownership	204
4.3.20	Quality Standards Adopted of Global Market vide Futuristic Mission for Indian Aluminium Industry	205
4.3.21	Futuristic Mission for Indian Aluminium Industry vide New Business Development Countries	207
4.3.22	Methods to Derive Competitive Advantage vide Type of Firm Ownership	209
4.3.23	Methods to Derive Competitive Advantage vide Vital Products Organisation Produces	210
4.3.24	Annual Growth in Global Marketing vide Methods used to Derive Competitive Advantage	211
4.3.25	Existing Business dealing Countries vide Methods to derive Competitive Advantage	213
4.3.26	Value Addition Tried vide Ownership Type	214
4.3.27	Value Addition Tried vide Vital Products Organisation Produces	215
4.3.28	Value Addition Tried vide Existing Business Dealing Countries	216
4.3.29	Quality Standards Adopted vide Vital Products Produced	217
4.3.30	Value Attributes Customer Insists vides Vital Products Organisation Produces	218
4.3.31	Value Attributes Customer Insists vide Existing Business Dealing Countries	219
4.3.32	Value Attributes Customer Insists vide Quality Standards adopted for Global Marketing	220
4.3.33	Promotional Methods Used vide Annual Growth in Global Marketing	222
4.3.34	Promotional Methods vide Existing Business Dealing Countries	224
4.3.35	Promotional Method Suggested wide New Business Development	225
5.2.1	Annual Growth in Global Marketing vide Futuristic Mission	238
5.2.2	Existing Business Dealing Countries vide Attributes Required for Global Presence	239
5.2.3	Existing Business Dealing Country and Method of Deriving Competitive Advantage	240
5.2.4	Existing Business Dealing Countries vide Major Marketing Strategy Adopted	241
5.2.5	Annual Growth Rate and Promotional Methods Adopted	242
5.2.6	Major Marketing Strategy and Method of Deriving Competitive Advantage	243

5.2.7	New Business Development Countries vide Futuristic Mission	244
5.2.8	New Business Development Countries vide Promotional Method Suggested	245
5.2.9	Quality Standard Adopted vide Attribute Customer Insists	246
5.2.10	Vital Products Company Produces vide Quality Standards Adopted	247
5.3.1	One Way ANOVA	248
5.3.2	One Way ANOVA – Global Presence Attribute and Type of Product	249
5.4.1	Type of Ownership Vs Preferred Mode of Entry	250
5.4.2	Preferred Mode of Global Entry Strategy and Adequacy of Marketing Strategy	251

List of Figures

No.	Particulars	Page No.
1.1	GDP Growth	16
1.2	Foreign Direct Investment: China, Russia, India	17
1.3	Volatile Exchange Rate	18
1.4	Metal Consumption Trends	18
1.5	Aluminium: Spot Prices	26
1.6	Porter Framework: Global Alumina and Aluminium Industry	28
1.7	Global Macro Trends (FY05 to FY06)	35
1.8	Alumina: Spot Prices	38
1.9	Alumina Production by Region	40
1.10	Alumina Production by Companies	40
1.11	Long-term Alumina Market Outlook	41
1.12	Indian Aluminium Cost Leadership	43
1.13	Metal Position Country Wise 1980	44
1.14	Metal Position Country Wise 2004	44
1.15	Primary Aluminium Supply/Demand: China	48
1.16	Aluminium Production Growth by Region	49
1.17	Frame work of the study	57
2.1	Forces affecting global marketing	70

Chapter 1

AN OVERVIEW OF GLOBAL MARKETING OF ALUMINIUM PRODUCTS

- 1.1 Market scenario of non-ferrous metals
- 1.2 Global Aluminium Market Outlook
- 1.3 LME Operations
- 1.4 Global market scenario of aluminium products
- 1.5 Global Aluminium Product Marketing
 - 1.5.1 Marketing of Primary Aluminium metal
 - 1.5.2 Export of Aluminium Metal
 - 1.5.3 Choice of Entry Modes in Global Markets for Aluminium
 - 1.5.4 Global Marketing Strategies for Indian Aluminium Industry
 - 1.5.5 Current and new markets for aluminium products
- 1.6 Framework of the study
- 1.7 Rationale of the study
- 1.8 About Aluminium
- 1.9 Need for research in global marketing of aluminium products
- 1.10 Various dimensions of research problem
- 1.11 Benefits of the study

CHAPTER - 1

AN OVERVIEW OF GLOBAL MARKETING OF ALUMINIUM PRODUCTS

1.1 Market scenario of non-ferrous metals

The first aluminium manufacture from ores started in India in 1942 by Indian Aluminium Company with a capacity of 2,500 TPA plant. The marketing experience in India started in small ways. The global marketing experiences of aluminium products started since 1988, when India had excess production of metal of 0.1 million MT and 0.4 million MT of alumina. The knowledge base in global marketing is getting evolved since then. The marketing aspects which are specific to the industry are discussed.

In the plan period of India, that is, between 1950 to 1990 the non ferrous metals were in short supply. The country used to import various non-ferrous metals in finish forms. There were strict regulations and licensing for both imports and exports. There were controls to new units or expansions to existing units. An inward looking closed economy had no plans for Indian industry going global. Indian aluminium was controlled by Aluminium Controller similar to Import Export Controller, Cement controller and the like. Since last one decade the reforms in economy are giving fruits. Indian aluminium Industry is in forefront in consolidation, building new capacities, and new state of art technologies and likes to build global markets on its strengths. The global marketers have to evolve strategies to meet the changing global markets and requirements of the customers.

Indian MNCs

In the era of liberalisation, privatisation and globalisation (LPG) in India, the Indian economy is growing steadily +5% since 1995 and since last 2 years the rate of growth is around 8 percent. The large commercial organisations are going global each in their own way. Considerable acquisitions and mergers are taking place. This helps quicker growth in more product areas and geographically. In a recent survey 21 companies are identified as companies that plan to go global. Hindalco appears in the list of 21. The list is detailed in Table 1.1 below:

Sector	Company
Automotive	Bajaj Auto
	Tata Motors
	Mahindra & Mahindra
	TVS Motors
	Bharat Forge
IT/BPO	Infosys

	Satyam Tata Consultancy Services (TCS) WIPRO
Engineering and construction	Larsen & Toubro
Healthcare / pharmaceutical	Ranbaxy Cipla Dr. Reddy's Laboratories
Steel and industrial goods	Hindalco Tata Steel Crompton Greaves
Other sectors	ONGC Reliance Industries Videocon VSNL Tata Tea

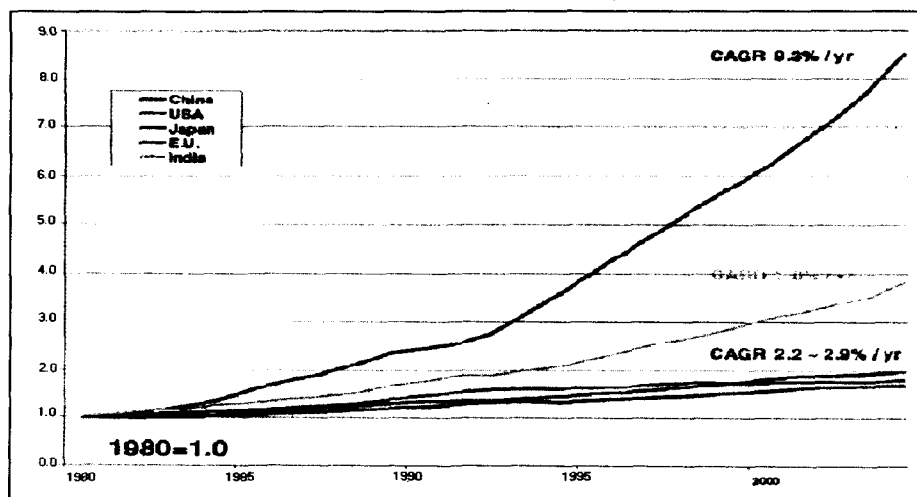
(Source: Business Standard, The Strategist, Page1, 4th July 2006)

Table 1.1: The India 21

Factors that help to go global

GDP Growth Rate

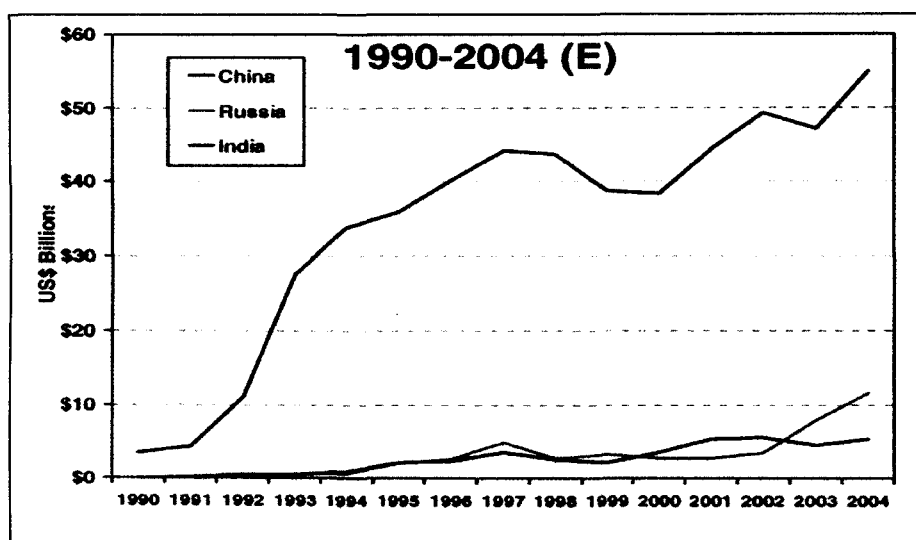
GDP growth has a direct impact on the buying power of the customers in the nation and their life styles. The graph in Fig. 1.1 here gives the growth rates of European Union, Japan, China and USA. The growth rates since last one decade in Europe, Japan and USA are in the band of 2.2 and 2.9%. The growth rates in Brazil, Russia, India and China are quite impressive. The growth rates, as may be seen from the graph are China 9.3% CAGR and India 5.6% CAGR. Now China is going +10% and India going at 8%. The robust growth economies are likely to go global and improve in their foreign trade.



(Source : Survey of Aluminium Industry page 7 by ENAM Securities May 2005)

Fig. 1.1: GDP Growth

Foreign direct investments (FDI) in a country boost the pace of growth of industry. FDI will improve living conditions in the country, trade and commerce. New technologies, new products and expansion of markets happen. The graph detailed below at Fig. 1.2 shows the investment position year by year since 1990 for 3 countries receiving FDI namely; China, India and Russia. FDI to India and Russia are almost parallel. India is now poised for higher growth and growing 12 billion US \$ during the current fiscal. Whereas China is growing faster, it is receiving five times more FDI. Chinese industrial growth hence is impressive due to good combination of good disciplined labour and FDI.



(Source: Adapted from data page 5 of Business Standard dated 10th Dec 2005)

Fig. 1.2: Foreign Direct Investment: China, Russia, India

Exchange rates

The exchange rate variations in rupee against various currencies have a direct impact on the foreign exchange earnings and the sales turnover of the industry in rupee terms. The competitiveness of the goods in global market also is directly affected by volatility of exchange rates. The standard benchmark for measuring the volatility of the exchange rate is to measure against Rupee v/s. U.S. dollars. From the graph below at Fig. 1.3 it may be seen that the rupee has moved in the band of Rupees 43.49 to 46.32 between years 2004-06.

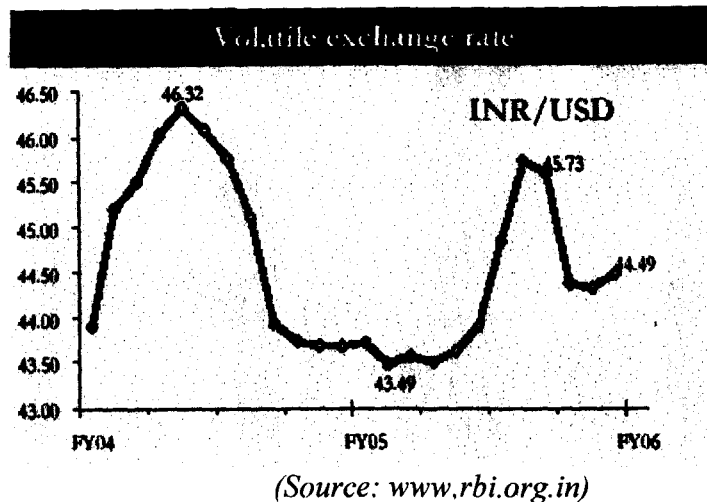
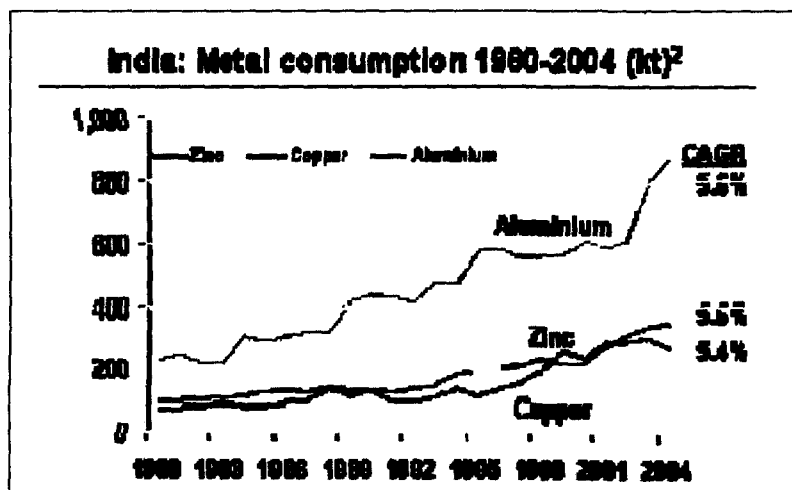


Fig 1.3: Volatile Exchange Rate

Consumption Patterns

The growth rates of consumption of metals in different countries indicate the emerging consumption patterns. The consumption of all metals in India is much lower as compared to global levels. This is particularly to in case of non-ferrous metals. A research study by Commodity Research Unit, London shows the Indian combined average growth rates of zinc, copper and aluminium as shown in Fig. 1.4 below. It may be seen from the graph that the Indian CAGR of aluminium is 5.6 and per capita consumption at present stands at 0.8 kg per capital.



(Source: ENAM Securities Monthly Bulletin, Page 3, May 2005)

Fig. 1.4: Metal Consumption Trends

Aluminium in the last several years has accelerated its applications in a multiple of sectors by replacing other materials. Due to the growth and diversity of applications, the outlook for the metal is quite optimistic in the coming years. While the rate of growth

in developed countries is low due to the fact that they have reached towards the peak, the same in Asia and in particular in India is increasing.

New areas of applications

At the outset, it will not be out of place to indicate that the aluminium will be the metal of the current century and beyond. This is a good time for aluminium industry and heralds unprecedented opportunities in the existing and emerging markets. Though aluminium metal is versatile, light in weight, strong, durable, and corrosion resistant and a aluminium products only dies it has to mould itself to the customers needs. Customer will buy the global customer needs and introduce innovative products to satisfy the exacting requirements.

Value to Customers

With the free enterprise and all national markets integrating with the global markets, aluminium markets are looking up with steady growth in USA market upto 2.5% in European market around the same level. In China and other Asian countries the growth rates are in double digits. The India market growth rate is presented at 8% The value to the end users or competing materials like plastics, steel, glass, composite fiber glass, paper products, wood etc which may take away the cake. The aluminium industry players should severally and jointly invest in applied Research and Development activities to anticipate and innovate the products required by market place A proactive research by industry will only give value to the customers and develop new markets.

Entrepreneurship

Entrepreneurship is the key in any new venture or development in global markets. A few good entrepreneurs can push the globalisation process faster and to greater heights. This has happened in last 2 decades in India. 3 great entrepreneurs like Tata, Narayan Murthy and Ajim Premji have developed global markets in spite of all odds in IT industry. The industries established by them have a brand and progressive outlook. In Indian aluminium industry Kumar Mangalam Birla of Hindalco and Anil Agarwal of Vedanta are taking the lead to build state of art plants of global size.

Availability of Inputs

The raw materials that go in manufacture of aluminium metal namely; caustic soda for the Bayer's process, calcined petroleum coke, coal tar pitch, aluminium floride and most importantly large quantity of electric power for smelting of aluminium metal. Smelting needs are around 14,000 units of electricity per MT of metal. The smelters look for cheaper sources of electricity like hydro sources or in house generation of electricity by captive power plants. It should be noted here that the Indian electricity charges are higher as compared to global prices and in particular to the prices prevailing in west Asian countries like Dubai, Bahrain etc. The other inputs are market items and as such the global cheaper sources can be tapped.

Good logistics and low inventories of finished goods

The efficiency and economies in logistics and inventories help in global marketing efforts. India has logistic problems due to poor infrastructure. Regarding

metal inventories which are held by the primary producers it may be seen that the producers hold only three or four days of production. Considering high cost the producer plan for nil inventories. The actual inventories in MT on hand as on 31st March 2006 held by different primary producers in MT are:

Nalco	5401
Balco	2897
Hindalco	6143
Malco	Nil
Total	14441

(Source: Data Base of NALCO Marketing Department)

Management

Money management plays a critical role in globalisation. The price of aluminium per MT is high in Rupee terms today it is 1,25,000 per MT. The credit policies and management, close watch on inventories, control pilferages are equally important. The capital costs of Greenfield projects are high, hence good project management save lot of money and time.

Technology management gives an edge of sophisticated product in the market to meet global quality and cost levels. Continuous learning, introducing new ideas, training, retraining and multi-skilling keeps an organisation updated.

Management of cross cultures is necessary when acquisition and joint ventures are made. For global marketing it is imperative to adjust to local cultures and ethos. Multinational Banks call themselves as 'Local Bank'. Similarly FMCG producers LG and Samsung adjusted to Indian ethos and methods and captured Indian markets by dislodging established manufactures like Godrej, Kelvinator, BPL and Onida.

Marketing of Aluminium

Well planned long range marketing efforts both by aluminium companies and industry as a group play an important role in development of healthy and growth oriented markets. The positive image of the industry also adds to the growth curve. On the subject, the efforts made by the industries and the conglomerates like; gold, diamond, milk, and eggs and the like may be seen where the special efforts have been made by the industry for boosting the consumption and positive image of the industry at global levels. The strategy adopted for the marketing should be global and long range.

Government as Facilitator for exports

Government of India extends direct monetary support for Indian alumina and aluminium actual exports from the year 1992. The gains are by way of;

- a) Duty Entitlement Pass Book (DEPB) method or
- b) Advance Licenses.

DEPB method gives the exporter duty free imports of 5% of value of exports (ad-voluerum) of alumina or 2% of ad-voluerum of metal exports with this NALCO gets approx Rs. 92 crores benefit for its exports. Hindalco gets around Rs. 60 crores. The 5% and 2% fixed by government is based on the prevailing LME prices of metal and alumina

prices. While planning how much to export the above export direct benefit is taken into consideration.

In advance license route the exporter's allowed to import duty free raw materials.

- For alumina 82 kg of caustic soda per MT of alumina exported.
- For metal exports duty free import of
 - CP Coke – 460 kg per MT of metal
 - CT Pitch – 110 kg per MT of metal
 - Aluminium Fluoride – 20.8 kg per MT of metal

1.2 Global Aluminium Market Outlook

There has been a strong recovery in aluminium world read LME prices during last one year. The rates were plus 2300 USD per MT. The production at global level is on the increase mainly due to creep increases and brown field expansions. The focus is shifting to Asian countries in particular to India and China. The per capita consumption is on the increase against backdrop of improved economic conditions. In addition investors are also investing their money in aluminium metal.

The growth areas are:

1. Primary Metal
2. Automotive Markets
3. Packaging
4. Infrastructure
5. Consumer Durables
6. Aero Industries

As a marketer it is necessary to get the estimates of the movements of materials between different countries for proper marketing strategies. The supply and demand outlook of global aluminium primary metal is shown in Table 1.2 below. From the table it may be seen that the demand growth in Japan, USA, and Europe are static at around 2% to 3%. On the other hand China, Russia and others are having a projection of 9% to 12%.

	(1,000 tons)			
	2003	(%)	2004	(%)
Demand Total (vs. the previous year)	27,560	(+7.9)	29,780	(+8.1)
Japan	2,380	(+7.7)	2,460	(+3.4)
USA	5,680	(+1.0)	6,160	(+8.5)
Europe	6,400	(+6.5)	6,620	(+3.4)
Others	6,460	(+4.4)	7,000	(+8.4)
Former Western World	20,920	(+4.4)	22,240	(+6.3)
China	5,200	(+26.8)	6,000	(+15.4)
Russia / CIS	690	(+4.8)	720	(+4.3)
Others	750	(+10.3)	820	(+9.3)
Former Eastern World	6,640	(+20.6)	7,540	(+13.6)
Supply Total (vs. the previous year)	27,980	(+7.9)	29,720	(+6.2)
Former Western	18,150	(+4.2)	18,570	(+2.3)
			19,400	(+4.5)
			20,480	(+5.6)

World							
China	5,500	(+26.7)	6,600	(+20.0)	7,100	(+7.6)	7,800 (+9.9)
Russia / CIS	3,930	(+4.2)	4,100	(+4.3)	4,200	(+2.4)	4,300 (+2.4)
Others	400	(+2.6)	450	(+12.5)	450	(+0.0)	450 (+0.0)
Former Eastern World	9,830	(+15.6)	11,150	(+13.4)	11,750	(+5.4)	12,550 (+6.8)
Supply / Demand Balance	420		-60		-105		+115

(Source: www.crumonitor.com, and Naik Report, March 2006, Page 1)

Table 1.2: Global Primary Aluminium Supply and Demand Outlook

Indian Initiatives

Government of India is taking proactive policy decisions for accelerated industrial growth and enhancing foreign trade. Foreign trade has doubled since last 4 years in dollar terms. Industry growth is around 8%. There are internal political bickering within the government to push the reforms in labour sector, disinvestments. Because of the momentum created in economy in 90's the industry is pushing policy makers for economic reforms and liberalisation. Various blockages that were existing during the plan period in India 1950 to 1990 have been dismantled in reforms period since 1991. Even as on date, government machinery is not gearing itself for openness or rapid industrialisation. In addition, lot of politics goes on in giving land.

On aluminium front, the customs duties on imports have been reduced in stages. It stand now at 7.7% advalorem. The procedural blockages and delays are there. The examples of abnormal delays in giving clearances and land for the important project are:

- Utkal alumina in Orissa is delayed by about 5 years. In spite of best efforts Utkal could get only 65% of total land requirements.
- Bauxite and alumina plant announced by Government of Andhra is has not taken off the ground.
- The alumina project announced by Larsen and Toubro along with Dubai Dubai has not started.
- Vedanta has to face lot of flack from government agencies for its project. Thus there were delays in the project implementation.
- In the steel sector the mega projects like Posco, South Korea is not getting clearance for its mines project in Orissa. Mittal steel did not get necessary land for its 12 million MT steel project in Jarkhand.

The abnormal project delays and indirect bureaucratic hurdles in India make MNC's bemoan the slow pace of India's economic reforms or highlight the absence of level-plying field for American or outside business houses in India. Comparisons are also drawn between India and China. Policies of China have emerged industry friendly, very accommodative and proactive. It has come out of shell of old communist ideologies.

Acquisitions, mergers, joint ventures and technology contracts are taking place. In aluminium sector in India consolidation is taking place. Indal merged with Hindalco 4 years ago. Balco major stakes were purchased by Sterlite Industries from Government of India. Sterlite purchased India Foils, Kalkata; consequently we have 3 large aluminium companies in India of global size. They are Vedanta, Hindalco and Nalco. Similar consolidation process is taking place all over the world. The size gives advantages to

stand in global competition. At the same time exchange of technologies and adoption of state of art technologies is taking place. Old equipments are updated or replaced by new to reach global markets. The comparison of aluminium production and consumption at global level and India are shown in Table 1.3 below

Year	Production-Primary		Consumption Primary		Estimated Scrap Consumption	
	World	India	World	India	World	India
2000	24,423	619	24,936	600	-	-
2001	24,446	644	23,716	624	-	-
2002	26,090	637	25,376	599	-	175-200
2003	27,980	685	27,442	625	10,900	180-210
2004	29,301	830	29,492	650	11,800	200-220
2005	30,674	881	31,078	700	12,740	210-230
2006	31,078	940	32,446	750	14,000	220-250

(Source: Minerals & Metals Review, Page 16, June 2005)

Table 1.3: Aluminium Production and Consumption (in 1000 tons)

Two business houses, the Aditya Birla group and Vedanta group, are fast emerging as leading forces, and will eventually circumscribe the non ferrous metals sector. By 2010, India's aluminium capacity is slated to cross 1.25 million tpa, the increase in capacity likely to be entirely due to brown-field expansions.

India is poised with substantial growth in the primary Metal production with the signing of MOUs for Green Field Smelters in Orissa, Jharkand and Andhra Pradesh. This is in addition to the current Brown Field Expansion being accelerated by the Indian Primary Producers. It is encouraging to note that Greenfield ventures in the aluminium industry are shaping up after over 18 years of dormancy. The aluminium industry did not witness a single Greenfield project between 1987, when public sector National Aluminium Co. went on stream, and 2003 when the Sterlite group, began work on its 1.4million tpa alumina refinery at Lanjigarh in Orissa.

The AV Birla group, very recently commenced work on its 3 million tpa alumina smelter project, also in Orissa. By 2020 India would have an alumina capacity of 1.7 million to 2 million tpa according to the governments projections. Thus, India's vision for 2020, besides being a global player in terms of size, should also include achieving international standards in terms of consumption.

Possible reasons for no Greenfield projects in India

The growth of aluminium industry starts from new Greenfield activities in bauxite mining and refineries. The high capital cost of refineries and cost of logistics deter new projects. From the list of Greenfield refineries in 25 year period i.e.1980 to 2005, detailed at table 1.4 below it may be seen that only 18 Greenfield refineries have come up all over globe. From the table it may be seen that China and Australia account for 50% of new capacities. 3 Australian refineries are having large capacities totaling 29,00,000 TPY whereas Chinese projects are of varying capacities 8 Nos. totaling 29,57,000 TPY. India had one plant of 8,00,000 one plant in the 25 year period. The table brings up the

robust growth of aluminium demand, thrust for aluminium and project management capabilities of China and Australia.

Figures in '000 MT per annum

Sl. No.	Location	Refinery	Start-up	Initial Capacity
1	Spain	San Ciprian	1980	800
2	Venezuela	Puerto Ordaz	1983	1,000
3	Ireland	Aughinish	1983	800
4	Australia	Wagerup	1983	500
5	Brazil	Sao Luis	1984	500
6	Australia	Worsley	1984	1,000
7	India	Damanjodi	1987	800
8	Shanxi	Shanxi	1988	1,250
9	Henan	Zhongzhou	1993	200
10	Brazil	Belem	1995	1,100
11	Guangxi	Pingguo	1995	400
12	Iran	Jajarm	2002	280
13	Chongqing	Chongqing	2003	70
14	Henan	Huiyuan	2003	175
15	Australia	CAR	2004	1,400
16	Guizhou	Guizhou	2004	32
17	Shandong	Chiping Xinia	2005	800
18	Henan	Mianchi	2005	30
	Total			11,137

(Source: www.crumonitor.com, Aluminium, Page 4, June 2006.)

Table 1.4: Greenfield Refineries: 1980-2005

Inspite of good efforts by Indian large companies, state governments and large MNCs no Greenfield alumina or aluminium plant has come up in India since last 2 decades for the following reasons.

- Bureaucratic hassles:** The inordinate delays in clearances by government agencies and funding institutions the project have not been finalised. There are delays in handling over lands for the project. Examples: Balco Gandhamardhan Project – Utkal alumina project of Indal.
- Politicisation of projects:** Even before conceiving a project, where to make the project becomes a political issue. The group of likely land ousted persons starts agitations. The forest or environmental clearances are not given with some vague reasons. The Vedanta project is currently getting delayed due to politicisation.
- Mindset:** Indian entrepreneurs would not like to take risks. Would not like to go global. The level of confidence is low hence playing safe attitudes.
- Low FDIs:** As compared to China the FDI India receives are low. An entrepreneur cannot plan big projects with the available capital.

1.3 LME Operations

The global trading aluminium metal is based on The London Metal Exchange (LME) prices. LME opened in 1877 to meet the need of those involved in the physical metals trade to be able to establish prices and protect them against price risk. A loose framework of merchants meeting to buy and sell metal on a forward physical basis evolved into a futures market with standardized conditions of delivery.

Despite what you may occasionally hear to the contrary, the LME today more than anything else see its role as in serving those in the business of physically producing, consuming, processing or marketing copper, aluminium (and aluminium alloy) lead, zinc tin and nickel, from the ore stage through to semi-finished and finished product. It does so in three main areas:

- The LME provides the reference prices which form the basis for transactions the world over in metal at all stages of production and consumption.
- The LME provides the arena in which physical price risks can be offset by using futures (or options) contracts.
- The LME acts as a physical customer of supplier of last resort (at the stage of production defined by the LME contract)

LME Prices

London Metal Exchange Limited is located at 56 Leadenhall Street, London. The LME prices announced as market calls by LME are reference prices for trading all over the world. LME prices are CIF Rotterdam for Europe and western world. For eastern side the prices will be CIF Singapore. In both these port places LME has its own warehouses. The prices are US \$ per MT basis.

The LME market calls in 1st and 2nd Session on all working days Monday to Friday are:

LME Market Calls

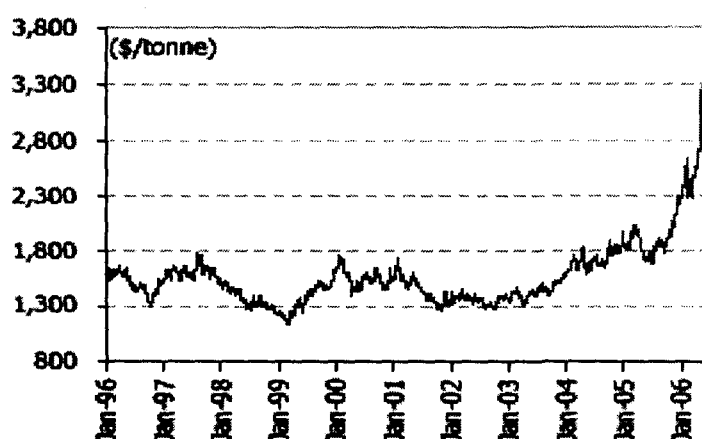
First Session	Hours	Second Session	Hours
Aluminium Alloy	11.45	Lead	15.20
Tin	11.50	Zinc	15.25
Primary Aluminium	11.55	Copper	15.30
Copper	12.00	Primary Aluminium	15.35
Lear	12.05	Tin	15.40
Zinc	12.10	Nickel	15.45
Nickel	12.15	Aluminium alloy	15.50
Interval		Interval	
Copper	12.30	Lead	16.00
Interval		Zinc	16.05
Tin	12.40	Copper	16.10
Lead	12.45	Primary Aluminium	16.15
Zinc	12.50	Tin	16.20
Primary Aluminium	12.55	Nickel	16.25
Nickel	13.00	Aluminium alloy	16.30
Aluminium Alloy	13.05	Kerb Trading for Copper and Primary Aluminium	17.00

(Source: LME Catalogue, Page 3)

The above LME rates are flashed to media instantaneously. Along with stock LME warehouses stocks are also indicated. Reuters monitor closely the movement of prices continuously. Those who subscribe to Reuters can avail this facility and get details over screen. Based on this the non ferrous metals are traded. The LME prices on given cash or immediate delivery, 3 month, 15 month and 27 month deliveries LME screen as on 7th July 2006 is appended as Appendix II.

The LME prices may move continuously throughout the 24 hour period, in response to supply and demand factors throughout the world: trading takes place both on the floor of the Exchange, during market hours and inter-office by telephone at other times indeed, an LME contract can be concluded anywhere in the world at any time, but to be official must be issued by an appropriately designated broker member of the Exchange.

LME prices vary considerably within a day and over months. A graph showing LME spot prices for 10 years for aluminium metal is placed at Fig. 1.5 below. The price during the period was in the band 1200 US \$ to 3300 US \$ per MT.



(Source: www.lme.co.uk)

Fig. 1.5: Aluminium: Spot Prices

A moving price is all very well for matching the very latest buying and selling orders, but industry needs one daily reference price. The volatilities in aluminium market is taken care by sound judgment of price movement and booking order when prices are good. The next is insurance coverage. The best method is LME price based hedging.

This brings us on to the connection between pricing and hedging: the strength, the rationale of the LME is that it not only provides a reference price for the physical trade to use, but it also allows them to protect themselves against price fluctuations through hedging, that is offsetting price risks by taking balancing positions in the futures market these aspects are focused in this paper.

Product Hedge Example:

- Integrated aluminium producer due to deliver 1000 MT product to consumers in March 1988

- Pricing to consumers will be basis March LME settlement average.
- However, would like to fix sales revenue basis current price level of \$ 1650.
- Answer: sell 1000 MT forward on the LME now and buy back at the average of pricing period.

Producer Hedge (With buy back fixed):

- A broker like AMT will offer the full package: producer sells 1000 t (prompt 2/4/98) @ \$ 1650
- Simultaneously contracts to buy back position at (unknown) Mar' 98, all inclusive

March 1998 average settles @ \$ 1450

- Physical sold basis \$ 1450
- Profit on hedge = \$ 1650 - \$ 1450 = \$ 200
- Effective sale price = \$ 1650

March 1998 average settles @ \$ 1900

- Physical sold basis \$ 1900
- Loss on hedge = \$ 1900 - \$ 1650 = \$ 250
- Effective sale price = \$ 1650

End Result

- Producer has physical sale based on the LME Average.
- This physical sale is 'adjusted' to \$ 1650 by the difference account on his hedge
- Producer achieves effective sales price of \$ 1650

Simple Process Hedge Aluminium Rolling Mill

- Due to buy 1000 MT aluminium ingot basis April settlement Average plus \$ 30
- Two months turnaround, processing cost \$ 100
- In June will sell 1000 MT coil basis spot price plus \$ 200
- Expected processing margin - \$ 70

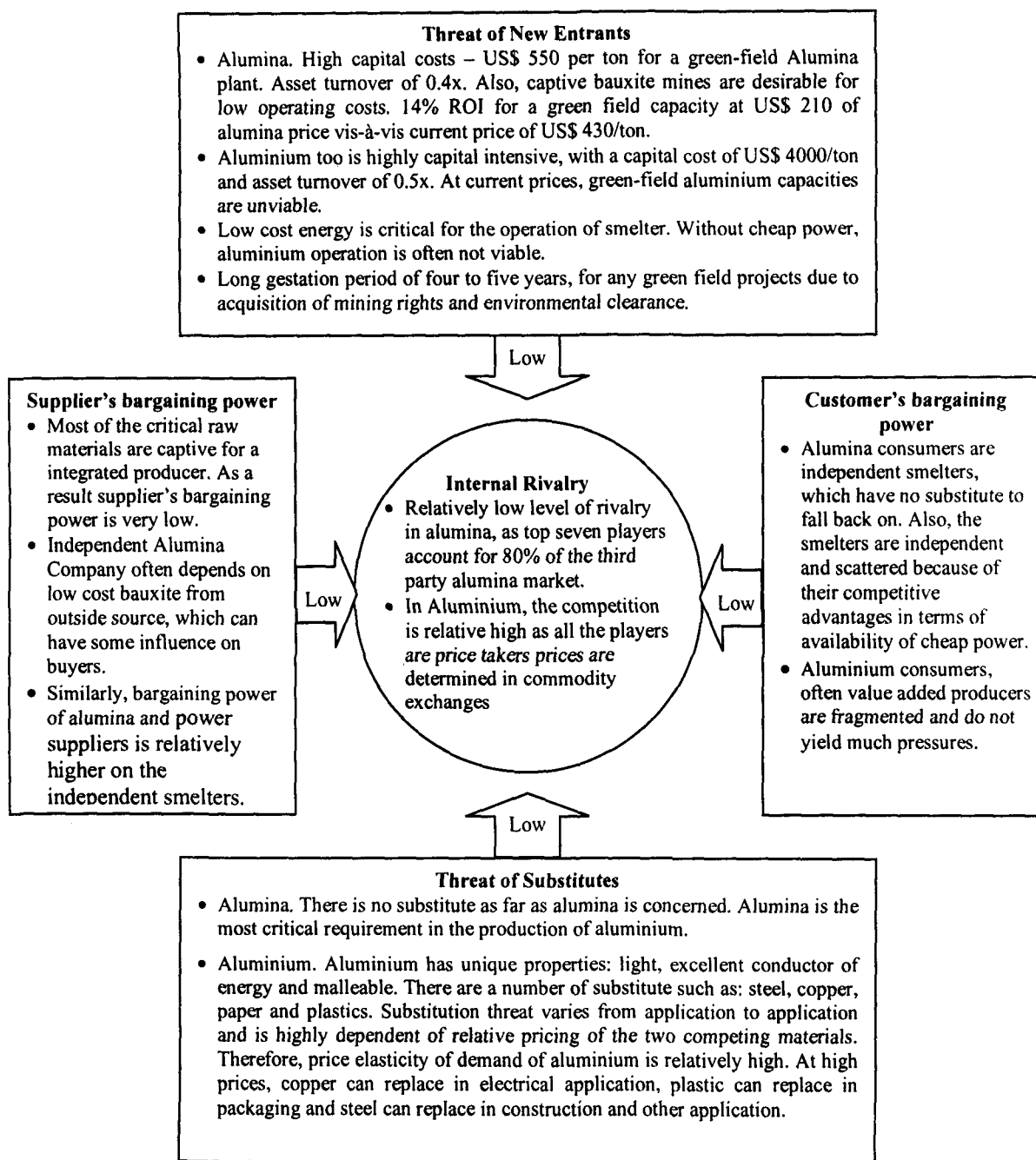
Without Hedge

- Physical purchase and sales prices largely outside his control.
- Processing margin of \$ 70 may be wiped out and turned into loss if June spot price is \$ 70 or more below April Settlement Average.
- 'Speculative' profits may accrue if price rises.

1.4 Global Market Scenario of Aluminium Products

Porter Framework

Aluminium and alumina LME prices are unpredictable. There had been a strong recovery in the aluminium prices during the year 2005 and 2006. Alumina prices are also going strong. The world aluminium consumptions are on the increase steady at 4%. Low per capital consumption of aluminium (3% of global average) is in fact a growth opportunity. The per-capital consumption is steadily increasing against the back drop of improved economic conditions. Aluminium industry as a collective group is not initiating any action to boost demand globally or in India. Global aluminium industry different forces acting on it. These are representing in porter Frame work at Fig 1.6 below:



(Source: Adapted from Research Report of ENAM, Page 5 of National Aluminium, December 2001)

Fig. 1.6: Porter Framework: Global Alumina and Aluminium Industry

Indian Foreign Trade

Foreign trade of India is at 1.8% of global trade. Indian foreign trade has doubled in last 5 years. Imports are going at faster rate due to large imports of petroleum products. The prices of crude have skyrocketed, hence the import figures. Export of alumina and

aluminium together from India amount now US \$ 750 million or approximately 3,300 cores rupees. The profit on this turnover is excellent. The products are well established; hence the exports and markets are assured. Indian foreign trade figures are shown in Table 1.5 below. Traditionally the Indian exports are lower than the imports; thus creating a trade balance against India. From the table it may be seen that the trade balances are increasing year after year. It is imperative that India adds more items of export and earn more foreign exchange to bridge the large trade balance.

	Imports	Exports*	Balance
	In Rs. Crores		
1980-81	12,549	6,711	-5,838
1990-91	43,198	32,553	-10,645
1995-96	122,678	106,353	-16,325
1999-00	215,236	159,561	-55,675
2000-01	230,873	203,571	-27,302
2001-02	245,200	209,018	-36,182
2002-03	297,206	255,137	-42,069
2003-04	359,108	293,367	-65,741
2004-05	501,065	375,340	-125,725
2005-06 †.....	630,527	454,800	-175,727
2006-07 † (Apr-Nov) ...	528,740	364,196	-164,544

Note: These figures may differ from the Balance of Payments data (Table 112) owing to different basis of valuation.

* Including re-exports

† Provisional

(Source: Statistical Outline of India 2006-07, Page 88, Tata Services Ltd.)

Table 1.5: Indian Foreign Trade

Market Price Movements

- Global prices determined on the basis of London Metal Exchange (LME) prices quoted on all working days on LME trading floor in London.
- Forward Trading and hedging common in aluminium trade.
- Prices vary considerably depending upon
 - LME stocks in LME warehouses.
 - Demand and supply.
 - Problems in manufacturing in some part of the world or purity.
 - Fund managers entering the area for investments in the metal.
- Large manufacturers and traders play important role in the market.

Strategic Players in the Market

- Alcoa USA
- Alcan Canada
- Renolds USA

- Billiton Netherlands/UK
- Rusal Russia
- Aluminium Pacheiny France
- Sumitomo Japan
- Venalum Venezuela
- Glencore (Trader) Switzerland

India's Underlying Opportunity

- 4th largest economy on a PPP basis
- 2006E GDP growth > 8% p.a.
 - Robust industrial production growth
 - Accelerated investment in infrastructure
- Wealth of underexploited resources
 - 3rd largest worldwide reserves of iron ore
 - 4th largest worldwide reserves of coal
 - 5th largest worldwide reserves of bauxite
- Lower capital costs of setting up smelters/mining projects
- Talent availability
- Locational advantage
 - Supply to SE Asia / China

Swot Analysis

Indian aluminium manufactures have some plus and few minus points in marketing their products in global markets. Many of the factors are within the control of the industry or local governments to be considered as strength and weaknesses. Few factors which are outside the control of the industry that affect materially fall in categories opportunities and threats. The factors are detailed in swot analysis below:

Swot analysis of Global Marketing of Indian Aluminium Industry (IAI) in Alumina and Primary Aluminium

Strengths

Globally Cost Competitive

- IAI is one of the lowest cost producers of alumina (approx US \$ 118 per ton) and aluminium (approx US \$ 1020 per ton) in the world.

Highly Integrated. Low Risk Business Model

- IAI is replicating successful business model of world's leading aluminium companies
 - fine blend of revenue from alumina, primary aluminium and fabricated aluminium products
- It has a strong presence in alumina and primary aluminium. Though, it has limited presence in fabricated products market.

World Class Resources

- Access to high quality gibbsite bauxite reserves
- Cheapest energy (US 3 Cent per Kwh.) from their captive thermal power plants

Quality Assets

- Plants, with state of art technology due to up gradation except MALCO
- Long expected life

Best Infrastructure

- IAI has established the best logistics, which ensure minimum movement of materials
- Alumina refinery are linked to the bauxite mines
- Smelters are near the coal belt
- Availability wagons for the movement of materials

High Economy of Scale

- Large alumina refinery plants - among the low cost alumina producers (operating cost below US \$ 110 per ton)
- NALCO and INDAL are large players in the global third party alumina market

Global market presence

- Geographical diverse market presence mitigates exposure to any single market. IAI export to 30 countries

Strong Financials

- Highest EBDITA margins, strong cash flow
- High financial flexibility

Proven Management Strength

IAI had well regarded management team, which has demonstrated a highly successful record:

- Operating track record is strong
- Technologies absorbed due to the fact that IAI is now 65 years old
- Project management skills are demonstrated as expansion plans are executed well
- Shareholder friendly approaches
- Well managed human resources. Maintained cordial relationships with employees
- Environmentally conscious
- Amicable relationship with the social surrounding. No major incident of protest /demonstration by the inhabitants, who are living near its facilities.

Weakness**Exposure to volatile commodity markets**

- Primary aluminium prices and long term alumina prices are cyclical, leading to fluctuations in earnings.

Low presence in fabricated market

- IAI has little presence in fabricated product market as it only produces conductor rods. The company does not have any significant market presence in the high value added segment such as extrusions, cans, sheets and foils.
- Successful business model requires balanced presence in alumina, primary aluminium and fabricated products markets. IAI's two decade experience in exports and imports would address this concern to some extent

Low presence in domestic market

- Domestic and ready market is more profitable than the exports due to duty protection and freight advantages.

Opportunities

Become a global player

- Given its cost competitiveness and its high financial flexibility, where gearing (even after expansions) is expected to be low, IAI can look forward to increase its presence in aluminium business, where its global presence is small as compared to pure smelters such as Dubal and Aluminium Baharain.

Follow successful business

- Globally, aluminium leaders have reduced their business risk with fine blend of alumina, primary aluminium and fabricated aluminium products revenue streams. Also, these leaders have a global market presence.
- While the revenue stream of IAI is concentrated more in alumina and aluminium, IAI can significantly reduce its business risk by fine tuning its business model.

Expand presence in fabricated product market

- IAI could easily expand its presence in the high value added fabricated products market, which could reduce export of its primary aluminium and earn more.
- This would not only help IAI evolve into a highly successful and low risk global players but also would help IAI competitive presence in the local market.

Strengthen domestic presence

- Domestic market has always been and would remain a profitable market as compared to the exports. Successful entry into the market where now importing takes place would help cash in on the profitable opportunities in the local fabricated market.

Threats

Global Economic Environment

- Weak world economic environment will result in subdued aluminium prices and lower than expected volumes, leading to depressed profits for IAI.

Compliance – Environmental and Social

- Stringent environmental and social requirement can come in the way of IAI's future expansion plan in bauxite mining, alumina refining and smelting.

Litigation

- Any perceived non compliance in environmental or social matters could invite the threat of litigation from various environmental and social groups.
- Note that IAI has well track record of environmental, social or tribal compliance

Multi Union Rivalry

- The managements of IAI have cordial relationship with the workers, and therefore IAI had few operational problems.

Local Political Risk

- In the plants where the IAI's operations are located enjoy fairly stable political history. Also there has not been any bad experience from the local governments, which regulates mining rights and other local issues.
- Any unexpected and unreasonable demand from the local government could negatively impact the operations.

Naxalite / terrorist movement

- Naxalite (followers radical Maoist) or terrorist movement many created troubles especially for business establishments
- Till now, IAI is not yet impacted by this uprising.
- It may be noted that IAI maintains strong and cordial relationship with the social surroundings. This mitigates threat, if any from the local inhabitants.

Problems Under Study

In India, Marketing of Primary Aluminium till 1987 totally are domestic. Much of the international and emerging markets for these products are not explored. Since the per capita consumption of Aluminium is low compared to other countries average, it is deemed fit naturally to look at markets where there the per capita consumption is higher? This requires a lot of endeavor in terms of thought and execution of the firms producing and marketing primary aluminium. Having abundant natural resources, if the companies are not able to use to their respective advantage, the competitive advantage is at a decline.

Alumina is exported due to perennial power shortage where it is not able to convert itself into finished metal. The export of alumina is used to pay the outstanding generated by the companies in terms of its business operations. It is imperative that the proper marketing and project strategies need to be evolved to convert the excess alumina into metal, where the value addition earnings is not lost.

1.5 Global Aluminium Product Marketing

Alumina Hydrate is the first product and is used in chemical industry. The marketing of hydrate in small quantities is done in 50 kg HDPE bags at pre fixed prices. The business is not commercially important.

Marketing of metallurgical grade alumina is important commercial it has 2 components (a) local and (b) exports. The alumina is marketed within country in 50 kg bags mainly for chemical industry or to meet emergency requirements. The business is done in small quantities. The prices are fixed on LME price percentage basis (current percentage being 26-27% of LME spot prices of metal) or mutually agreed prices.

The commercially important is large quantity of alumina exports from India. NALCO about a million MT and INDAL about 2,00,000 MT export every year. The alumina prices are on the rise since last 2 years due to shortage. Indian alumina quality is global standard. Over the years there is infrastructure in place. Hence it is an area of business growth and good profit. The supplies made loose in tanker ships. The parcel size is 10,000 MT to 36,000 MT per ship. The general shipment is 25,000 MT. The sea transportation costs work out cheaper at this level. Regarding pricing of alumina, as noted earlier is based on LME metal prices. Usually a percent on LME previous month average is fixed the present going percentage is 26-27% of LME. Each exporter has his policy in place the type of contracting and the quantities for each type of contract. A

company may reserve 33% material for short term contract with 2 buyers of 1 year contract on LME or fixed prices. Thereon further 33% may be reserved for medium term contract with one or two buyers on LME based prices. Balance 34% quantity may be reserved for spot prices based contracts to get advantage of upswings in prices and to cover up variations in production quantities. The documentation and payment terms will be part of the agreements / contracts.

Global marketing of alumina calls for update information of existing alumina contracts, stocks on hand, stocks in transit and arrival schedules of ships at the port of shipment. It is equally important to know how big 12 players are making their marketing strategies. The big 12 control the third party or traded alumina market. The big players include Alcoa of USA, BHP Billiton of UK and Australia, Glencore of Switzerland, Rusal of Russia, Alcan of Canada.

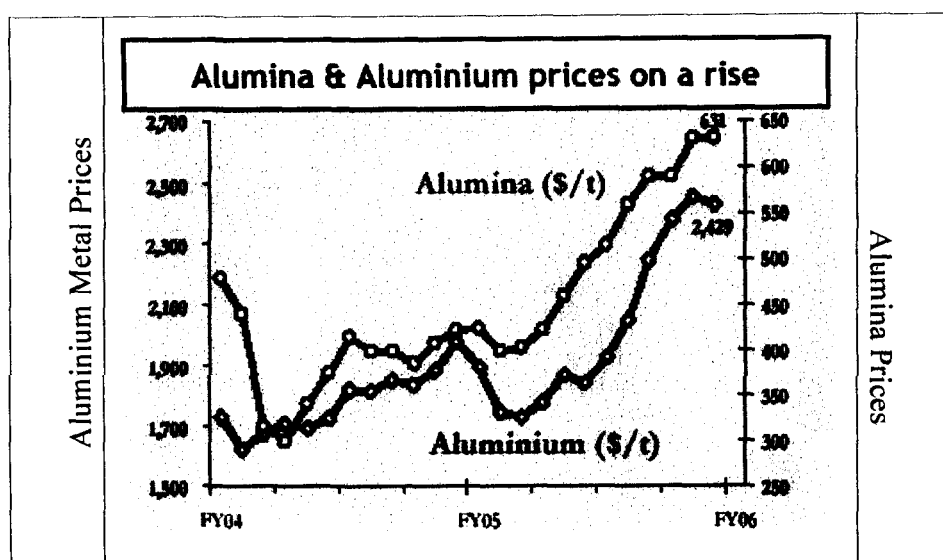
The long term projections of aluminium consumption and consequently consumption of metallurgical grade alumina is detailed in Table 1.6 below. From the table it is seen that for 47.20 million for year 2015 MT of metal the alumina of metallurgy grade required. This will be 95 million MT plus about 10% as chemical alumina should be approx 105 million MT. That is an additional manufacturing capacity of 3 million MT has to be build up every year.

Economic Growth	Units	Indicator
Primary Aluminium Consumption	Million MT	31.9 (2005)
CAGR 9 2006-15)	%	4.0
Primary aluminium consumption 2015	Million MT	47.20
10 year demand increase	Million MT	15.30
To attain supply. demand equilibrium		
Required Increase in alumina refining Capacity (Next 10 years)	Million MT	29.84
Implies Annual increase in alumina refining capacity	Million TPY	2.98

(Source: Hatch - 12th Metal Bulletin, Page 3, Alumina Seminar)

Table 1.6: Projected World Alumina Growth Scenario

LME aluminium and alumina price curves go side by side - usually alumina prices follow metal prices by about 2-3 months. The metal prices are generally cyclical. The spot prices every during a week vary considerably. Price movement depend on various factors such as demand, the production prospects and problems, the entry of fund investors in aluminium metal, natural calamities and stoppage of production capacities and the like. Fig. 1.7 shows the global macro trends of prices.



(Source: www.lme.co.uk)

Fig. 1.7: Global Macro Trends (FY05 to FY06)

Global marketers in the field obtain regular inputs from Aluminium Associations, market experts, trade circles and market research organisations. The marketer draws his own trend analysis of global movement of materials and emerging markets. Commodity Research Unit (CRU) gives regular demand and supply data. Table 1.7 below gives June 2006 data from CRU. From the table it is noted that demand from middle east and China are robust. Similar data is regularly published by Metal Bulletin, London and aluminium Associations in different countries. Global marketer will plan proper strategies to go the growth markets.

(in 000 MT)				
Area	2004	2005	% change 2004-05	2006 First Half
North America	5895	5945	0.8	2961
Asia	2983	3076	3.1	1552
Africa	799	736	-5.5	297
Middle East	45	140	210.3	74
Europe	5620	5688	1.2	2954
Oceania	16746	17684	5.6	8933
Latin America	12827	12965	1.1	6785
Eastern Europe	506	662	30.8	311
China	6426	7831	21.9	5549
CIS	6205	6353	2.4	3244
World Production	58029	61080	5.3	32561
World Consumption	58235	62324	7.0	32184
World Balance	206	-1244		377
Western world	44892	46234	3.0	23557

production				
Net export of Eastern Block	-8084	-9137	13.0	-4452

(Source: CRU Monitor, Page 3, June 2006.)

Table 1.7: Supply, Demand Summary for Global Metallurgical Grade Alumina

Indian Alumina Scenario

Since 80's the production of alumina in India has increased substantially due to discovery of east coast bauxite reserves. Nalco project was based on the east coast bauxite reserves. The export of alumina was started by Nalco since 1987 for repayment of Euro-dollar loans it availed during its project construction period. It started with export of 0.4 million MT per year. The current figures of production, exports and imports by different Indian manufacturers may be seen in Table 1.8 below. From the table it may be seen that the exports now stand at 1.11 million MT. The Balco imports are against their exports.

(figures in MT)

Sl. No.	Particulars	Years		
		2005-06	2004-05	2003-04
1	Production:			
	NALCO	1578000	1575000	1556000
	HINDALCO	1203383	1159664	591297
	INDAL			445000
	BALCO	200000	200000	200000
	MALCO	60000	60000	60000
	Total	3041383	2994664	2852297
2	Exports:			
	NALCO	862162	909000	935000
	HINDALCO	250000	200000	200000
	BALCO	7000	7000	0
	Total	1119162	1116000	1135000
3	Estimated Imports:			
	BALCO	75000	0	0
4	Net Consumption	1997221	1885664	1717297

(Source: Aluminium in India, Page 3, March 2005)

Table 1.8: Indian Alumina Production and Exports

Alumina Spot Prices

There will be considerable differences in long term contract prices, medium term contract prices and spot prices in both aluminium and alumina prices. The buying and marketing consideration in these 3 situations are different. The market perceptions of contracting parties determine the price clauses in the contracts for long and medium term contracts for sport buying and selling the considerations are buying interest availability of goods, time schedules, commitments and prices.

The spot prices of metallurgical grade alumina are detailed in Table 1.9 below. The table shows considerable variations from quarter to quarter since 3rd quarter 2004. The price has moved up and down between US \$322 per MT to US \$620 per MT during the 2 year period. The movement is along lines of LME metal prices as may be seen from the table.

Metallurgical grade alumina prices (US\$/tones, fob)												
	2004	2005						2006				
	Year	Q1	Q2	Q3	Q4	Year	Mar	Q1	Pri	May	June	Q2
Spot Prices Australia	395	405	409	459	555	457	630	617	610	570	470	550
Caribbean	368	385	388	440	538	438	610	598	590	550	450	530
Average Spot price	381	395	399	450	547	448	620	608	600	560	460	540
LME-3 month official ²	1721	1888	1796	1847	2066	1899	2458	2443	2643	2881	2517	2680
% of LME	22.2	20.9	29.2	24.3	26.5	23.6	25.2	24.9	22.7	19.4	19.3	20.1
Contract Prices ¹ One year	N/a	18.20	N/a	N/a	21.23	N/a	N/a	N/a	N/a	N/a	N/a	N/a
Medium Term (%)	N/a	16.18	N/a	N/a	16.18	N/a	N/a	17.19	N/a	N/a	N/a	N/a
CRU composite price ³	216	231	243	243	254	245	289	278	296	N/a	N/a	N/a

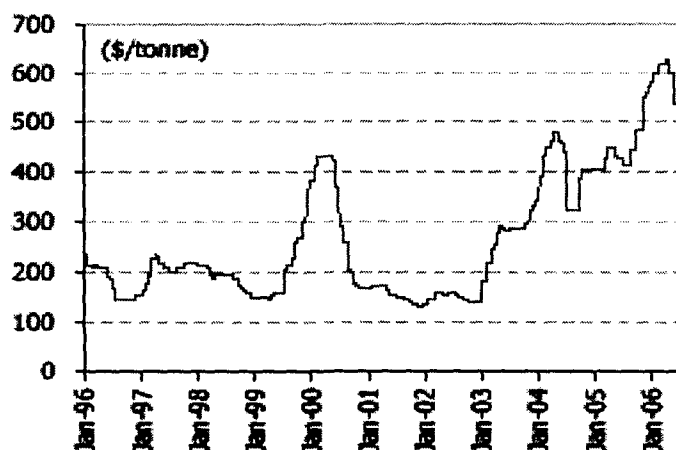
(Source: CRU Monitor, page 2, June 2006)

Table 1.9: Alumina Spot Prices

Alumina Market Issues

- ◆ A chemical product Al₂O₃.
- ◆ Met grade Alumina market globally growing at 3%.
- ◆ Half of met grade Alumina, 25 MMT is traded on medium and short (spot) contracts. Balance 25 MMT is produced in-house.
- ◆ Alcoa USA is global leader in alumina.
- ◆ Trade controlled by a dozen traders in the field.
- ◆ Pricing based on
 - Fixed prices.
 - London metal Exchange (LME) prices for aluminium metal.
 - On tolling basis.
- ◆ Quality and timely deliveries are important.
- ◆ Non met or chemical grade alumina market gives value addition and is a growing market.

The Fig at 1.8 given under shows the LME price trends for spot alumina prices for 10 years period. The prices, as may be seen in the graph vary considerably. The variation is from 130 US \$ per MT to 630 US \$ per MT. It is hence imperative to be on lower side, cost wise to get advantage of sale on spot prices.



(Source: www.lme.co.uk)

Fig 1.8: Alumina: Spot Prices

Global Linkages

Indian aluminium companies strong global presence. The company today boasts of satisfied customers in more than 40 countries worldwide.

? AUSTRALIA	MYNAMAR
? BAHRAIN	NEPAL
BANGLADESH	? NORTH KOREA
BELGIUM	? NORWAY
? BRAIZL	PAKISTAN
? CHINA	? PHILIPPINES
? CANADA	? VENUZUELA
? DUBAI	? RUSSIA
? EGYPT	SAUDI ARABIA
? FINLAND	SINGAPORE
?? FRANCE	SOUTH KOREA
? ? GERMANY	SRI LANKA
? HONG KONG	? SWITZERLAND
? INDONESIA	TAIWAN
? IRAN	THAILAND
ITALY	? ? UK
JAPAN	? ? USA

MALAYSIA

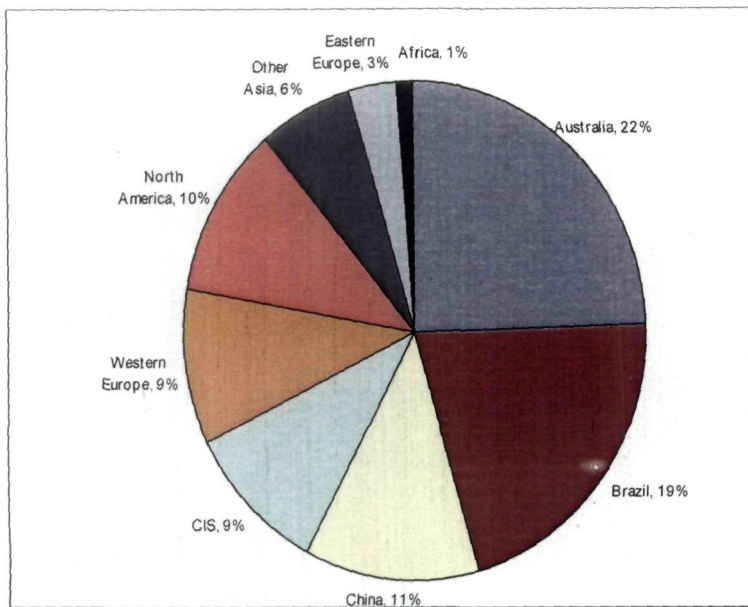
? Technology Suppliers	Aluminium Importers	? Alumina Importers
------------------------	---------------------	---------------------

(Source: Annual Report, Year Ended 1st April 2006, HINDALCO, NALCO.)

Out of about 68 million MT of alumina 6.5 million MT account for special aluminas and hydrates. The balance 62.5 million MT is used in metal smelting. Out of the production of 62.5 million MT of alumina, approximately 60% material is given to third party sale and moves to different places across continents. Like petroleum products alumina is moved in tankers in oceans. The alumina plants are located near the pithead of bauxite. The smelters are located near electrical power or power sources. Some of the plants are located due to historical reasons. Due to rise in cost of logistics the older plants are either stopped or relocated.

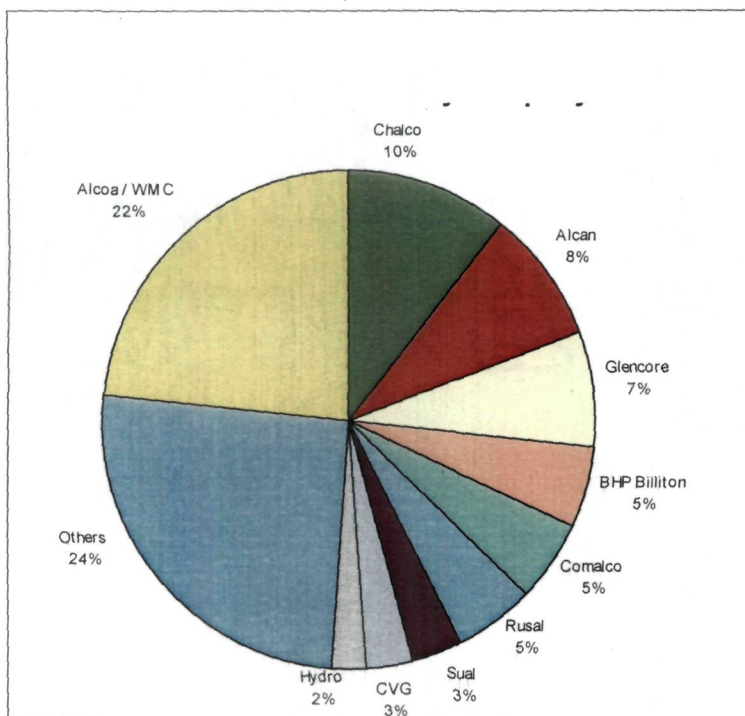
There are two pie charts shown in Fig. 1.9 and Fig. 1.10 regarding global alumina. Chart one shows the alumina production by regions. Countries like Australia, Brazil, China are producing larger percentage of alumina due to abundant natural bauxite resource. In the second graph alumina production by company is shown. Alcoa USA, Alcan Canada, BHP Billiton Australia and UK, Glencore, Switzerland, Chalco China are big players with large capacities and deep pockets. The big players have their say in the market place because of volumes handled and capacity to meet customer requirements of short notice. Any marketer in the field has to study the marketing strategies of these big players.

Alumina prices are determined by aluminium metal prices that is LME prices. In market parlance alumina prices follow 3 month after LME metal settlement. The thumb rule was 12 to 14% of LME prices were the alumina contract prices. On this basis the contracts were made for medium term say 2/3 years. In effect the cost of alumina in a MT of aluminium metal used to be about 24-28% (2 MT of alumina is required for one MT of metal). Since last 5 years the price of alumina are on the increase. The percentage is gradually increasing from 12% to now 26%. The alumina input cost in one MT of metal is gradually increase to now about 48 to 50%.



(Source: ENAM Securities, Page 1, March 2006)

Fig. 1.9: Alumina Production by Region



(Source: ENAM Securities, Page 2, March 2006)

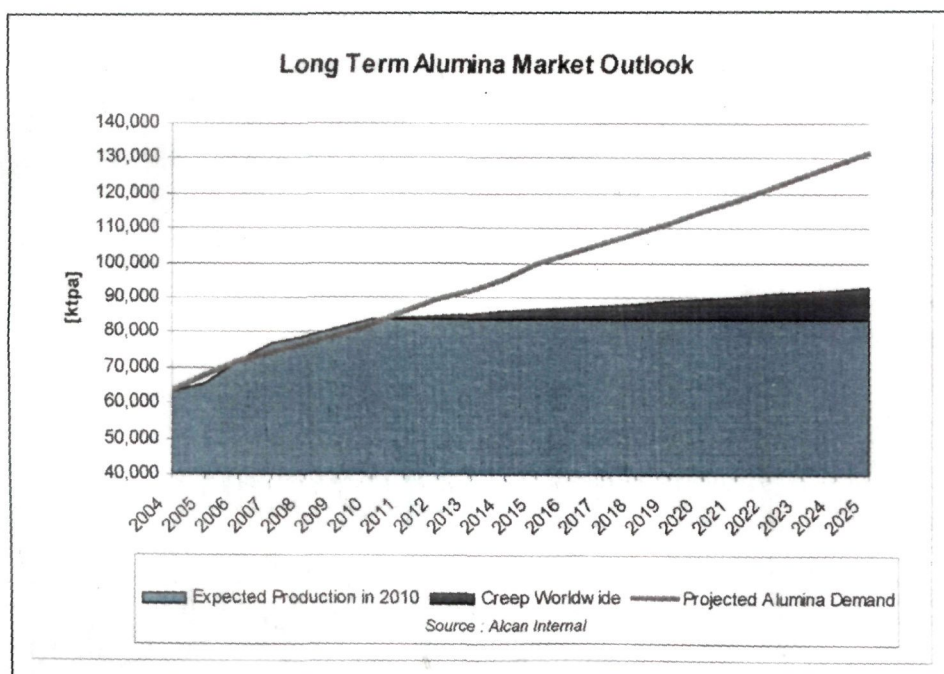
Fig. 1.10: Alumina Production by Companies

Global alumina demand is growing 4% CAGR. The demand is met mainly by brown field expansions. Green field plants are not coming up due to high project costs per tonne basis and various issues. The alumina refineries are also increasing their

production by improvements in use of equipments, technology improvements, and productivity gains and by de-bottlenecking in their plants. This is called creep increase. As per current scenario there may be deep short capacity in alumina from year 2012 onwards. More alumina refineries should come.

Long Term Alumina Balance

Long-term alumina demand is given in Fig. 1.11 below. From the graph it is seen that the production from new projects, brown field expansions and creep growth meet 2011. Whereas, after 2011 there will be huge widening gap between demand and supply. Long-term demand will justify numerous refinery projects.



(Source: Enam Securities, Page 1, March 2003)

Fig. 1.11: Long-term Alumina Market Outlook

1.5.1 Marketing of Primary Aluminium metal

Primary aluminium metal is marketed in standard ingot or pigs of 10 or 20kg per pieces bundled in one MT packs. It is also marketed in large size cast pieces called sows of 600 to 700kg per piece. The end users buy one of these to depending on end use, the type of furnace utilised in further processing of the aluminium. Aluminium Marketing has two streams (a) Domestic Marketing and (b) Global Marketing.

Domestic Marketing

Out of approx one million MT of aluminium produced last financial year 0.8 million MT was sold in domestic market. The domestic market is large and expected to grow at 8%. The buyer seller relations are built for 4 decades. The logistic is in place for aluminium manufacturers. The sale is done on lorry load basis that is 9 MT to customers. A number of stockists and agents work as middlemen to cater to smaller requirements.

Manufacturers as on date, make more profit in domestic marketing. The prices are fixed on LME basis. Generally LME plus 5% in view of 7.7% customs duty cushion. The price works out to about 6% more than the export prices. The prices are announced as and when there is up or downward trend in LME prices. The domestic sales attract excise duty and sales tax. The customers buy from nearest available manufacturer or source to save transport costs and to meet time schedules. It is also seen that small buyers do not go into details of quality of metal supplied. Many customers prefer commercial grade or off grade material so that they can alloy suitably.

1.5.2 Export of Primary Aluminium

Primary aluminium is imported by manufacturers who use aluminium and exports their finish products such companies are entitled to import aluminium on duty free basis.

Example: Cookware manufactures and exporters, auto casting and component exporters. India was importing metal till 1986 in large quantities. The export of aluminium started on regular basis since 1987 i.e., when NALCO project started producing electrical conductor grade 99.70% pure aluminium. It is also called LME grade material. Since then there is steady growth in exports in quantity and value terms. India now exports to about 40 countries and the quantity is 200000 MT per year. Here again the foreign traders play critical role. These traders are located in Europe mainly in London.

The export of metal pricing will be based on LME. As discussed elsewhere, LME continuously publishes rates for spot, 3 months, 15 months and 27 months on future delivery basis.

Government of India announces from time to time export incentives to aluminium exporters. First there are no local taxes and duties like excise, sales tax or octroi on goods exported. Second export value does not attract income tax. Third exporter is given duty free licenses to import his raw materials at global cheap prices. This gives a level playing field to the exporter in competitive global markets. Fourthly exporter gets special import licenses to import plant spares. The quantum of licenses depends on input cost and is predefined for each industry. Apart from monetary incentives an exporter is recognized by Government of India as 'Start Export House' and 'Five Star Export House' and given Capexil Awards in recognition of large exports. NALCO is 'First Star Export House' and Hindalco is 'Start Export House'.

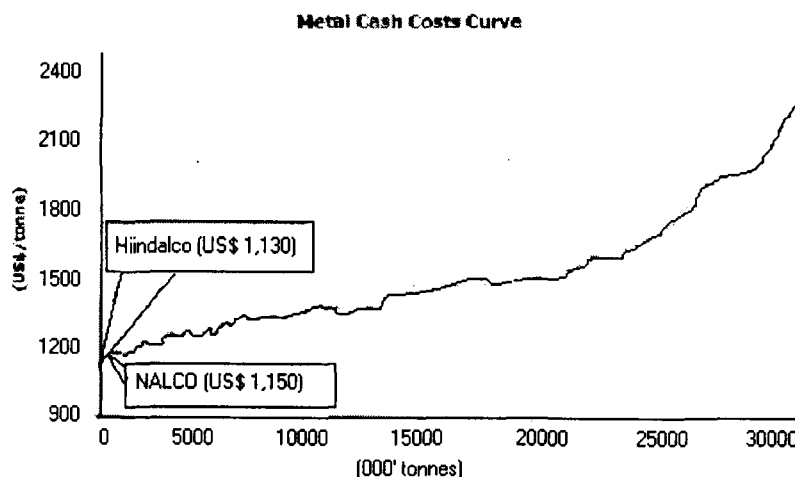
The export policies are laid by each exporter well in advance. In effect fixing quantities to be exported, what type of contracts to be made and credit policy. An exporter enters into short term contract for one year period on fixed dollar prices or LME basis prices. The monthly deliveries are done as per the contract terms. Similarly medium term contracts are done for 2/3 year period. Medium term contracts will also be on LME basis. The supplies will be done in open hatches of ship or in 20 MT containers as per requirements of the customers. The modern communication methods like Emails, Mobile Phones and faxes have made contracts within hours. In export contracting time and speed is very important shipment for export of metal. The lot size will be 100 MT per shipment minimum.

Some tonnage is also reserved for spot trading to take advantage of surges in prices. The LME prices there are lot of volatilities. The price changes within day and change considerably over weeks or months. Here the aluminium export marketer is put

to test. His business acumen, quickness and latest market trends are important. Any wrong contract may make a company loose. The aluminium prices range in a band of US \$300 to 500 per MT. The fluctuations in prices month to month and over the years have been discussed earlier. Striking a deal at right prices at right time is the job of a good global marketer. Instead of gambling the marketer can take advantage of good prices and boost profitability. For large exporters this difference means large amount. The communication within the export contract group into the organisation checking availability let material collecting market trend data and again replying to buyer queries to make contracts critical.

For Indian aluminium importers are about 50. It needs good relationship to be maintained with them by talking to them sharing information and attending genuine complaints. Regular visits to the customers will have good benefits and repeat orders. To meet, interaction between buyers sellers, middlemen, experts in aluminium marketing, it is also necessary to meet all of them in Aluminium Seminars and Metal Bulletin Seminars in different parts of the globe, Alumitech in USA, Incal in India, Mid East aluminium conferences, LME meetings, yearly Aluminium Expo in Italy etc.

Indian aluminium industry has inherent strengths to meet global competition because of its low costs. The metal is produced at one of the cheapest prices due to availability of excellent bauxite and cheap labour. The project construction cost is low making lower capital cost. Metal cash costs are shown in Fig. 1.12 below. From the graph it may be perused that 5 million MT is produced in the lowest cost per ton band of 1200 US \$ to 1300 US \$ per MT. In the upper band 5 million tons are at cost plus 1800 US \$ per MT. India has a decided edge in global marketing.

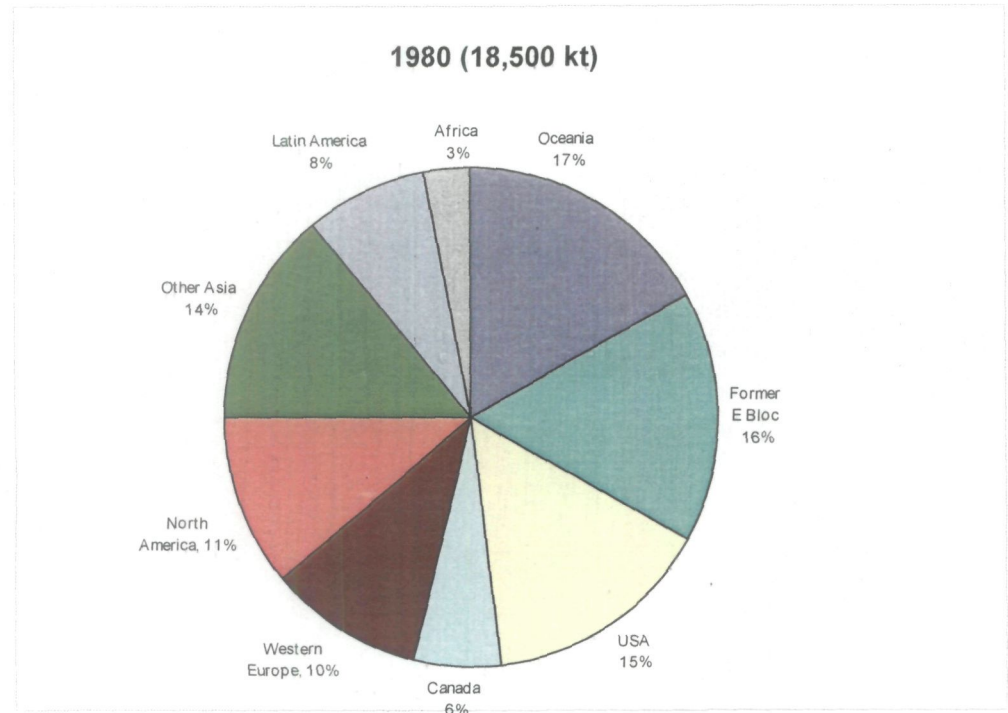


(Source: *Enam Securities*, Page 1, June 2003)

Fig. 1.12: Indian Aluminium Cost Leadership

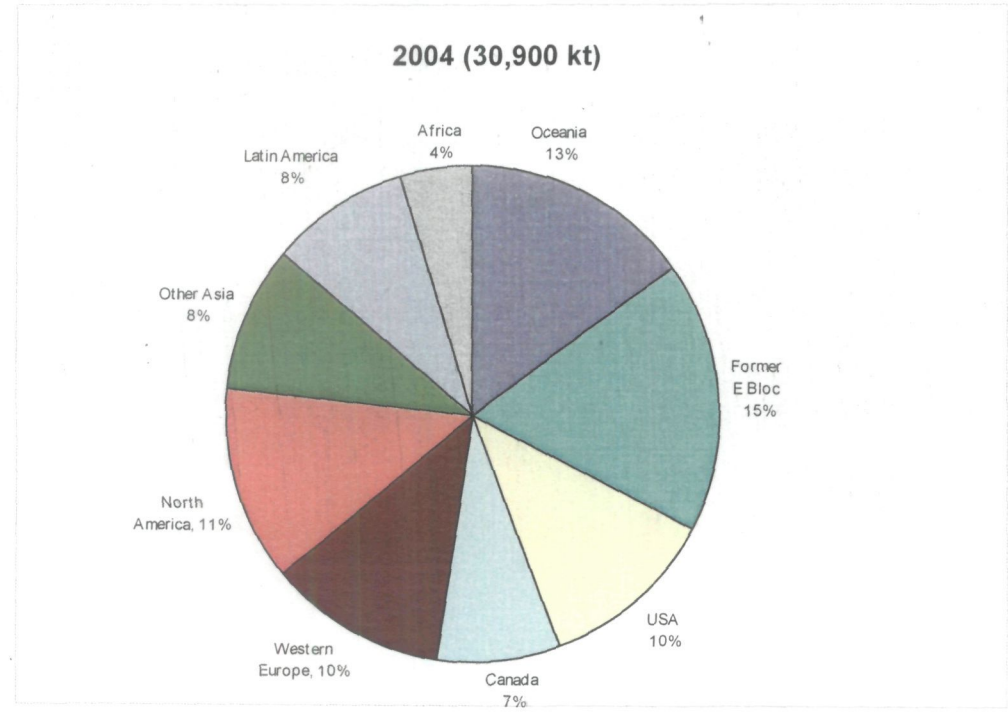
Big global players in aluminium metal market are Alcoa, Chalco, other Chinese manufacturers Alcan, Kaiser, Billiton, Comalco, Hydro Aluminium, Rusal, Alba, Dubal. Chinese lead the table now with 21% of global production and Alcoa stand second at 12%. In 1980 Chinese stood at mere 2% of global output. Region wise China, Western

Europe and Russia are having large shares. The details are given in Fig. 1.13 and 1.14 below:



(Source: Aluminium in India, Page2, April 2004)

Fig. 1.13: Metal Position Country Wise 1980



(Source: Aluminium in India, Page2, April 2004)

Fig. 1.14: Metal Position Country Wise 2004

Domestic Metal Scenario:

There is new green field aluminium smelter that has come up since last 18 yrs in the country. However there is steady growth of production of metal due to brown field expansion of all existing plants and creep growth due to efficient use of available resources. Table 1.10 below gives the domestic metal scenario.

	2005-06	2004-05	2003-04
Production:			
NALCO	358954	338483	298207
HINDALCO	423710	343516	322576
BALCO	129421	97010	97000
MALCO	36765	35861	27523
Total:	948850	814870	745306
Exports:			
NALCO	95747	132730	129718
HINDALCO	80000	70000	50000
BALCO	10000	10000	10000
Total:	185747	212730	189718
Estimated Imports:	70000	70000	70000
Net Consumption:	833103	672140	625588

(Source: Aluminium in India, Page 4, November, 2006)

Table 1.10: Domestic Metal Scenario

From table above it may be seen that there is steady increase in metal production 7.45 lakh MT to 9.49 lakh MT in 3 year period. Accordingly the consumption has stop up from 6.26 lakh MT to 8.33 lakh MT during the same period. The import of metal into India has stagnated to around 70,000 MT per year as few manufacturers regularly import against their duty free import licenses. Regarding export of metal from India there is a surge of exports in the year 2004-05 due to excess metal available in country.

In the current year i.e., 2005-06 the total exports are:

a) Metal exports:

1, 20,000MT* avg. LME rate in year 2000 US\$ per
MT=1,20,000*2000=232million US\$

b) Alumina Exports

12,000,000 MT*avg. LME rate in the year 400 US\$ per MT
=12,000,000*400=480 million US\$

c) Other aluminium export of products such as foils, castings billets, extensions, utensils, electrical cables and other items because metal was available in the country=290 million US\$

Total export of aluminium products i.e., (a)+(b)+(c):=approximately 1 billion US dollars.

Indian electrical industry consumes a large portion. This is special to India as elsewhere copper conductors are used. The tonnage wise consumption of aluminium metal in India are detailed in Table 1.11 below:

Sector / Year	(in lakh MT)	
	2003-04	2004-05
Electrical	360	400
Transport	165	190
Construction	65	75
Packaging	45	45
Industrial Machinery	35	40
Consumer Durables	35	35
Steel sweetening, Powers & Chemicals etc.	114	112
Total	819	897

(Source: Aluminium in India, Page 2, November, 2005)

Table 1.11: Aluminium Consumption Pattern in India

Tolling Arrangements

Tolling schemes are special in non ferrous market. Here alumina is supplied by one contracting party A to another B. The second party B converts alumina to aluminium metal by smelting and supply metal to part A. Part A pays cash in terms of dollars or supply in terms of alumina. This method gives both A and B a win-win situation as both can use their capacities, expertise and share benefits of value addition.

With WTO regime in place the customs duty barriers are coming down allover the globe. India had high duty regime till 1990. Step by step the customs duties have been slashed on all imports. Duties affect foreign trade year by year the lowering of duty on aluminium is given:

Backdrop: Domestic Macro Trends (FY05 & FY06)

Year	Customs duty on importing aluminium %
2001-02	32.5%
2002-03	30%
2003-04	30%
2004-05	20%
2005-06	10.2%
2006-07	7.7%

Per-capita consumption of aluminium gives the tonnage consumption. The table at 1.12 below gives per capita consumption in 11 countries. From the table it may be seen that G-8 countries have large consumption compared to developing world.

Country	Per Capita Consumption (in kg/head)
INDIA	0.7
CHINA	2.8
BRAZIL	4.2
U.K.	13.0
AUSTRALIA	19.2
FRANCE	22.3
ITALY	26.5
GERMANY	27.7
JAPAN	28.4
USA	29.0
CANADA	30.9

(Source: National Directory of Aluminium Industries 2004 Aluminium Association of India, B'lore)

Table 1.12: Per Capita Consumption of Aluminium

Sector wise consumption of aluminium metal and yearly variations thereon show growth trends. Table 1.13 and Table 1.14 give sector wise consumption in India and world patterns. From tables it is gathered that globally transport and packaging rank 1 and 2 totaling 49%; whereas in India electrical and transport rank 1 and 2 totaling 66%. It is imperative that Indian electrical conductor industry is large.

SECTOR	YEAR	
	2003-04	2004-05
Electrical	44%	45%
Transport	20%	21%
Construction	8%	8%
Packaging	6%	5%
Industrial Machinery	4%	4%
Consumer Durables	4%	4%
Steel Sweating Powder %	14%	13%
Chemicals		

(Source: Aluminium Association of India, Bangalore, Vol.5 No.3 Oct 31, 2005)

Table 1.13: Sector wise Consumption at Aluminium in India

SECTOR	PERCENTAGE
Electrical	9%
Transport	31%
Consumer Durables	6%
Building Constructions	18%
Packaging	17%
Industrial Machinery	9%
Others	10%

(Source: Aluminium Association of India, Vol.5 No.3 Oct 31, 2005)

Table 1.14: World Consumption Pattern of Aluminium

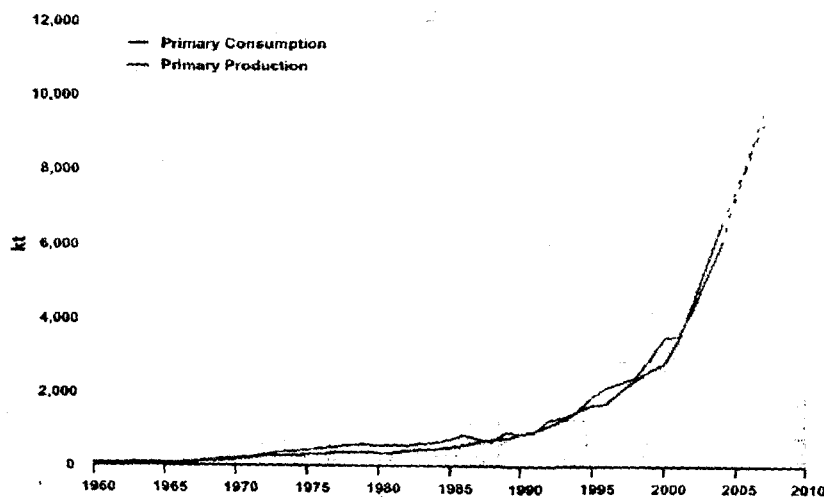
Demand patterns of aluminium region wise is shown in Table 1.15 below:

'000 tonnes	2002	2003	2004	2005	2006
USA	5410	5695	6380	6380	6540
Japan	2200	2300	2370	2417	2466
Europe	6015	6315	6470	6664	6797
Asia	3533	3968	4307	4500	4700
Other	2482	2502	2543	2761	2851
Western World	19640	20780	22070	22723	23354
CIS	850	950	1000	1050	1200
China	4200	5200	6000	6700	7600
Other	690	822	881	922	968
Eastern Countries	5740	6972	7881	8672	9768
Total	25380	27752	29951	31395	33122

(Source: Macquarie Research, Page 4, October 2004)

Table 1.15: Demand by Region

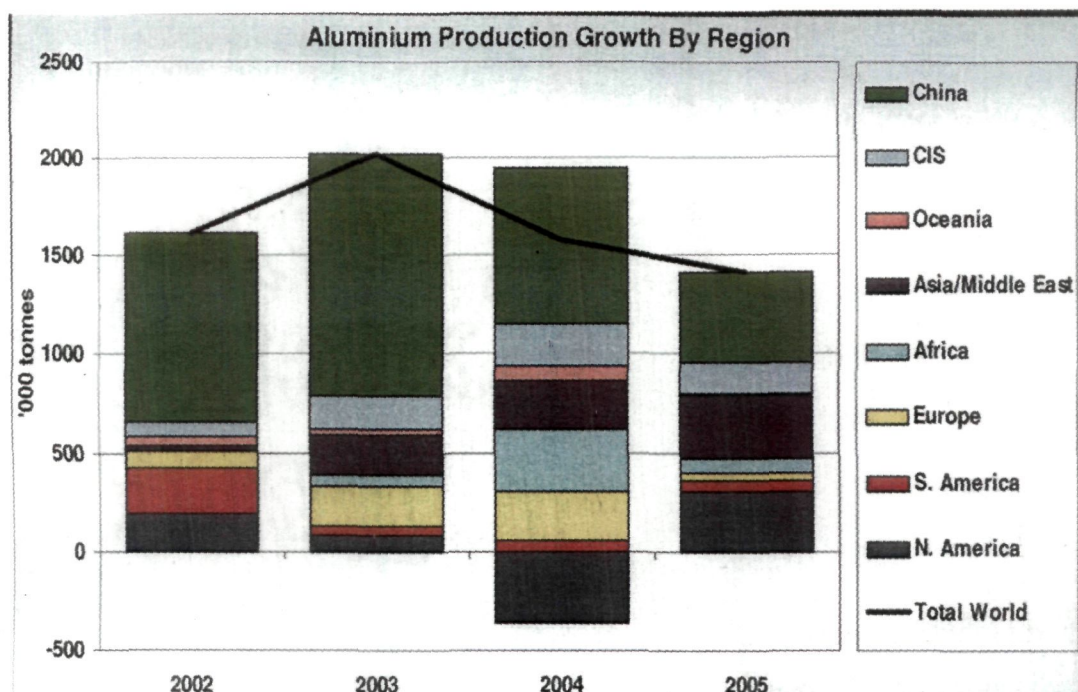
The table above shows the steady growth of aluminium in all regions. The high growth is seen in China and Asia. China is using its natural bauxite resources and its economic boom in building state of art aluminium plants at faster pace. The aluminium demand rate is high and so is the capacity builds up. This is evident from the Fig. 1.15.



(Source: CRU Monitor, Page 3, March 2004)

Fig. 1.15: Primary Aluminium Supply/Demand: China

Region wise production variations: A global marketer has to study aluminium production up and down that are taking place in different regions. The reasons for the changes in production schedules and time frames be analyzed for evolving proper marketing strategies. A market research study by Macquarie Research shows quite ups and down in production in the period 2002 to 2005. The tonnages are quite large. The production changes can be seen in Fig. 1.16 below:



(Source: Macquarie Research, October 2004)

Fig. 1.16: Aluminium Production Growth by Region

Considering strong resource base, industry friendly atmosphere and high growth prospects in Asia in general and India in particular the aluminium industry in India is an growth path. Indian aluminium industry should grab this opportunity of development by entrepreneurial spirit and activities. India should go for large plants with state of art technologies and locate them near resources basically taking calculated risks to get competitive edge. Like IT and ITES industry growths, aluminium is a metal of the century. The opportunities are opening up. The global marketer should develop and nurture new overseas markets. The aluminium industry collectively has the responsibility to set standards and grab the global opportunities.

To sum up alumina and aluminium markets in India and abroad have:

- 1) Consistent and good demand growth in recent years and future projections. The demand growth is surpassing the production growth rates. That is supply side will lag if industry does not produce or innovate.
- 2) Alumina and aluminium inventories have gone for comfortable to tight levels in recent months.
- 3) Aluminium industry is closing its plants of out dated technologies.
- 4) Aluminium industry is adopting state of art technologies. Using better management techniques finding new markets and evolving global marketing strategies.
- 5) China and Asia are main drivers in the market. China now accounts for 20% of world production and demand.
- 6) Consolidation in aluminium industry is taking place due to joint ventures, mergers and acquisitions.

- 7) With good prices and demand growth aluminium industry is now on a threshold of opportunities and growth path. With its vast resources India is poised to go ahead in global arena.

1.5.3 Choice of Entry Modes in Global Markets for Aluminium

Entry in to foreign market raises the question of the best entry mode of such entry. There are few choices: exporting, licensing, franchising, joint venture with host Country Company, wholly owned subsidiary, FDI/ Acquisitions, managing sick companies and strategic alliance.

Exporting: Most of the aluminium manufacturing companies begins there business as exporters and then switch to the other modes serving foreign market. Exporting avoids the cost of establishing manufacturing operating in the host country. On the other hand it has high transportation cost and trade barriers.

Licensing: An agreement to buy the right to manufacture company products in the licensee's country for a negotiated fees or royalty is called licensing. Licensing is not applicable for the basic industrial material like aluminium.

Franchising: In case of franchising, the franchisee limited rights are sold for a lump-sum amount and the share of the franchisee's profit. Even franchising is not applicable for the basic industrial material like aluminium.

Joint ventures: Two companies or parties will go to an agreement that both will invest agreed share and run the business. It may be in the form of 50/50 or 49/51 depending upon the deeds they have agreed.

Wholly owned subsidiary: wholly owned subsidiary is one which the parent company owns 100 percent of the stock. Here the company entirely set up completely new operations in that country or acquire an established host county company and use it to promote its products in the host market.

FDI route for full or part ownership: The entry strategy through this route is expensive. The recent example of AV Birla group purchase of Novelis of Canada at a total price of 6.1 billion US dollars is an example. Acquisition of a sick units or old plant at a cheap price will be advantage for Indian aluminium industry.

Managing sick companies: This practice is prevalent in steel industry with vast technical pool Indian aluminium industry should make effort of managing old aluminium plants. This will help in entry and develop overseas market the route is taken by IT companies.

Strategic alliance: The gainful use of natural resources or capabilities in different countries to get cheaper and better quality products will enhance profitability. This route is followed by MNC'S. It will also help in geographical spread. Example India has large bauxite reserves, Indonesia or west Asian countries have large energy (gas) resources for

electricity. The strategic alliance of such countries will give win-win situations to both countries can help in competitiveness and growth of countries.

1.5.4 Global Marketing Strategies for Indian Aluminium Industry

During the planned period of Indian economy namely; 1950 to 1990 the growth of aluminium industry was slow. The manufacturing technologies that were employed were obsolete and from many sources like USSR, HUNGARY, ITALY etc. The quality of output was below international standards. India was net importer of aluminium metal and value added products to the tune of 1 lakh M.T. per year till the year 1996. With the find of large bauxite reserves in Eastern Ghats of India in the year 1979, an integrated aluminium complex NALCO project was planned in the state of Orissa.

NALCO started its trial production in the yearend 1986 and exports were made in the year 1987. This was the beginning of export of alumina and aluminium metal from Indian shores. NALCO planned its exports since inception of its production from new plants. NALCO also evolved its own exports marketing strategies by study and adaptation. Over the decades the surplus aluminium products on hand the practical marketing experience refined the home growth strategies. The availability of surplus exportable quality alumina or aluminium made Indian aluminium industry expand oversea customer base and develop its own marketing strategies.

In international market Indian alumina or aluminium was welcomed on two counts:

- i) Meeting the international quality standards.
- ii) Cost competitive.

Indian bauxite is one of the cheapest in the world at around \$6 per M.T. as against global average price of \$25 per M.T. NALCO and HINDALCO started their own captive power plants and reduced the cost of power to the international level.

Till 1997 the manufacturers themselves made the pricing of alumina or aluminium. The manufacturers met in a meeting every quarter end and used to decide prices for the next quarter. The shortage of aluminium metal in the country, no surplus alumina and high import duties made the manufacturers to sell their produces at high prices. The customers had no choice but to pay high prices. The manufacturer had no incentives to improve quality, introduce new technologies or compete in the market. Since the surplus of the material from the 1997 the scenario changed forever the manufacturers started activities in the direction of upgrading the technologies, improving the quality levels, getting accreditations for quality compliances like ISO 9000 and 14000 and cost awareness. It is important to note that the Indian steel industry even today has import of large quantities of iron ore from Indian shores to different countries that is basically exporting the mineral. Whereas in the case of aluminium industry right from the beginning the start has been made to export value added product alumina and aluminium metal and not from the ore stage. With the growth of down stream aluminium industries in India the export of value added products in the coming years will give impetus to more industrialisation, better realisation and profitability.

The export marketing strategies evolved for (a) alumina and (b) aluminium metal are detailed below:

a) Alumina: India exports as on date approximately 1.3 million M.T. per year. Exports are made to 30 countries. The domestic sale quality is very small. Out of the total quantity, half of the quantity is reserved for long-range contracts for period 2½ to 3 years; the quantity is again divided between 2 to 3 overseas buyers. 25% of the total quantity is set aside for medium range contracts that is, for period 12 to 18 months. The balance 25% of the quantity to be exported is reserved for spot sale. The strategies of the quantities enable the exporter.

- i) Help to evacuate the finished goods to ports and exports in a planned manner. Holding of inventory in aluminium industry will amount to stopping the production due to storage capacity limitations and blocking large funds.
- ii) The strategies help in taking advantage of the LME prices and the trends.
- iii) The ups and downs in the manufacturing and the logistics can be accommodated.
- iv) The customers of different requirements can be satisfied.
- v) Establish the name in the global market as consistent and reliable suppliers of the commodities.
- vi) Improve overall realisation per M.T. over and above LME averages and increase profits.

The pricing of the alumina in the export market is based mainly on the LME metal prices. The pricing formulas in these contracts are fixed prices; LME base percentage usually (11% to 15% of LME prices), put and calls options and combination of these. A dozen large traders control the alumina market.

b) Aluminium Metal: India exports approximately 3,50,000 M.T. per year. Exports are made to 35 countries including western world. The export pricing is based on LME prices. Here again, the quantities are reserved for long-term contract for two-year period. 25% of the export is set-aside for medium period contracts that is 1 year. The balance 25% quantity approximately is earmarked for spot sale. The strategies adopted give the Indian manufacturer the following advantages:

- i) Take advantage of LME trends.
- ii) Take advantage of spikes in spot prices.
- iii) Develop long-term relation with the large customers.
- iv) Improve quality and service standards.
- v) Develop global customer base and improve marketing capabilities in the international markets.

The domestic or the sale within Indian of approximately 0.75 million M.T. is derived based on LME average prices of past 3 months.

To achieve export target set, meet the delivery deadlines of the importers, the port requirements and financial arrangements, a close communication is a must. To achieve communication and information requirements the following steps are taken:

- i) The LME prices all flashed from London Metal Exchange on minute-to-minute basis. The LME bulletin also shows the future prices of the commodity for 3 months, 6 months, 9 months, 15 months and 30 months. The screen also shows the LME prices for previous years and month-wise. The prices are depicted graphically. This is basically a screen-based trade.

- ii) The above data gives the trend analysis for the future period.
- iii) Help in updating the domestic metal prices. The domestic metal prices are fixed on average of previous 3 months LME prices plus 11% go offset customs duty in India.
- iv) Be in regular touch with dozen large global traders who actually play important role in the market place.
- v) Visit regularly the large customers to keep man-to-man relationship on person-to-person basis. Understand the usage, problems and to guide the customers.
- vi) Attend regularly aluminium conferences in different countries to be well informed about the developments in the aluminium field and the markets in particular. In addition these conferences helps in knowing senior executives of the well known companies in the field, technocrats, traders, end users and global marketing experts.
- vii) Invite global experts in marketing, logistics shipping and analysts to update the knowledge base continuously.

Among the 4 Ps of global marketing the 3 Ps apply in aluminium products being an industrial commodity. They are (i) Price, (ii) Product and (iii) Place. The three are discussed:

- i) **Price:** The export pricing for alumina and aluminium metal fall in five categories namely;
 - a) LME based and screen based
 - b) Forward contracts on LME prices
 - c) Fixed price
 - d) Combination of LME and fixed price formulae
 - e) Tender base
- a) ***LME based prices:*** The prices follow as per London Metal Exchange prices.
- b) ***Forward contracts on LME prices:*** It is practice in non-ferrous metal marketing to book orders for tonnages for one or two year delivered. The deliveries will be on monthly basis. The price for each delivered lot will be usually previous month average LME price or 3 month average price. Sometime if the quality is good then a mutually agreed premium will be added to the price. This will be applicable for alumina too.
- c) ***Fixed Price:*** If the quantities are large and a definite price realization is necessary then companies enter into fixed price contracts like any other industrial commodity.
- d) Some sale agreements are based on formula incorporating fixed price in past and variable part based on LME. This system assumes a minimum price especially in Alumina marketing.
- e) ***Tender base pricing:*** Many government bodies in Asia follow tender system in fixing prices. The selected manufacturers will be requested to send sealed bids for

delivery schedules of tonnage are given in the enquiry. The lowest bidder gets the contract. While quoting prices only the marketer has to take care of LME movements and profitability to the organisation.

- ii) **Product:** The quality and reliability play an important role in global markets. Indian aluminium industry is geared up to meet the quality requirements. It has built in systems to assure quality products.
- iii) **Place:** The place or location gives advantages to Indian aluminium industry to supply to Asia, China and Europe. The transport costs will be relatively cheaper

1.5.5 Current and new markets for aluminium products

The Researcher made special study of Secondary data where India can enter in global markets and global alliances that have long range prospects. The two growth countries noticed from the published statistics are

- a) Canada
- b) China
- c) West Asia

The global marketing scenario of the aluminium is discussed for the above three countries:

a) Canada: Canada has large manufacturer like Alcan. Alcan has worldwide manufacturing facilities and tolling arrangements. In addition Canada is geographically far away. The logistic costs will be too large to meet the competition. Hence entry will be too difficult.

b) China:

- China has a large demand and growth rates above ten percent today for the metal as well as alumina.
- Currently India is exporting to China and South Eastern Countries both alumina and aluminium metal.
- Exports to China from India are on the increase since last decade.
- China is building its own smelting and alumina capacities. The market in long range appears does not look lucrative or sustaining in view of the following details.
 - (i) The demand pattern of China is impressive, the demands in million MT are; in 2002 it is 4.2, in 2005 it is 6.7 and in 2006 it is 7.6.
 - (ii) China is increasing its alumina manufacturing capacity to match the metal production. The recent expansions of alumina are -
 - Huiyuan refinery in Henan of capacity 0.2 Million MT
 - Guizhou refinery in Guizhou of capacity 0.03 Million MT.
 - Chiping Xinia in Shandong of capacity 0.80 Million MT.
 - Mianchi refinery in Henan of 0.03 Million MT.
 - Chongqing refinery in Chongqing 0.07 Million MT.

c) West Asia:

- Export markets in West Asia for Alumina will be of growth and lucrative in the long run.
- India today exports 1.1 million MT of alumina to many countries.

West Asia alone buys total 10 million MT today by paying more freight from Australia. India can grab orders for yearly 3 to 4 million MT per year exports. India is the cheapest in world in Alumina cost and in addition, freight will be low.

- Present capacity of metal production in the region.

Baharain – ALBA – 1.0 million TPY

Dubai – DUBAL – 1.0 million TPY

Abudabi – EALM – 1.4 million TPY

Qatar – QATAR Aluminium Co. Ltd., 0.52 million TPY

Oman – SOHAR Aluminium Co. Ltd., 0.5 million TPY

Iran – IRALCO. and others 0.5 million TPY

Total about 1 Million MT is now being added.

This is due to availability of cheap electricity in the region.

- Every 2nd year 0.5 million MT capacity is added in the region.
- There is little or no source of Bauxite or Alumina in the region.

This implies West Asia is currently producing approx 5 million MT. It is exporting metal of 4 million MT to other countries. The government policies of the west Asian countries are helping the growth of aluminium industry. The global aluminium industry is moving to value added products in aluminium. The global strategy of Indian Aluminium industry should focus on the following

- 1) Scope to set up joint ventures with cheap alumina from India and cheap power from West Asia to get advantage of cost and location in global aluminium market.
- 2) Make Greenfield alumina plants in India exclusively for West Asian Market.
- 3) Long range contracts to be made with West Asian countries for alumina. Currently the alumina supplies are made by the American and European countries from their Australian plants implying, more distance and more logistic costs. The exports of alumina from India and metal manufacture in West Asia will be a win-win situation for both.
- 4) Dedicated ships can be used for carrying the alumina from India to West Asia.
- 5) Innovative financing to be evolved by the Indian Aluminium Industry for more alumina plants and also common long term goal based global strategies.

1.6 Framework of the study

The researcher followed the following steps frame works for the study:

- 1) Preceding the researcher visualised the area of studies where he desires to extract detail meaning. A discussed different proposal with his guide, then a project is selected.

- 2) Classifying the research question: by exploration the management dilemma are perceived and the area is selected the literature review is made to get different perspectives if research proposal was made.
- 3) Research design: in this phase the different steps in the research were detailed regarding the type, purpose, timeframe, scope, and environment the phases are:
 - Data collection and preparing which included design of questionnaires collection sample size and application.
 - Data gathering which is unique to the particulars quantitative research
 - Insight development and interpretation of data.
 - Analysis and interpretation
 - Decision by the research based on
 - Report analysis preparation

In devising framework, the researcher

- Encountered curiosity, doubts and obstacles
- The problem statement was not easy. The existing knowledge gathering, more facts and moving from an emotional to intellectual confrontation with the problems.
- Hypotheses proposals were made that explain facts and that are believed to be logically related to the problem formulated alternate hypotheses.
- Conducted empirical test of draft questionnaire
- The questionnaires were sent to the selected sample population and the responses were collected. It was a time consuming process.
- Made statistic analysis and Chi-square tests. The computer programmes helped.
- Drew conclusions or inductive inferences based on acceptance or rejection of hypotheses. The framework of the research is given in Fig. 1.17.

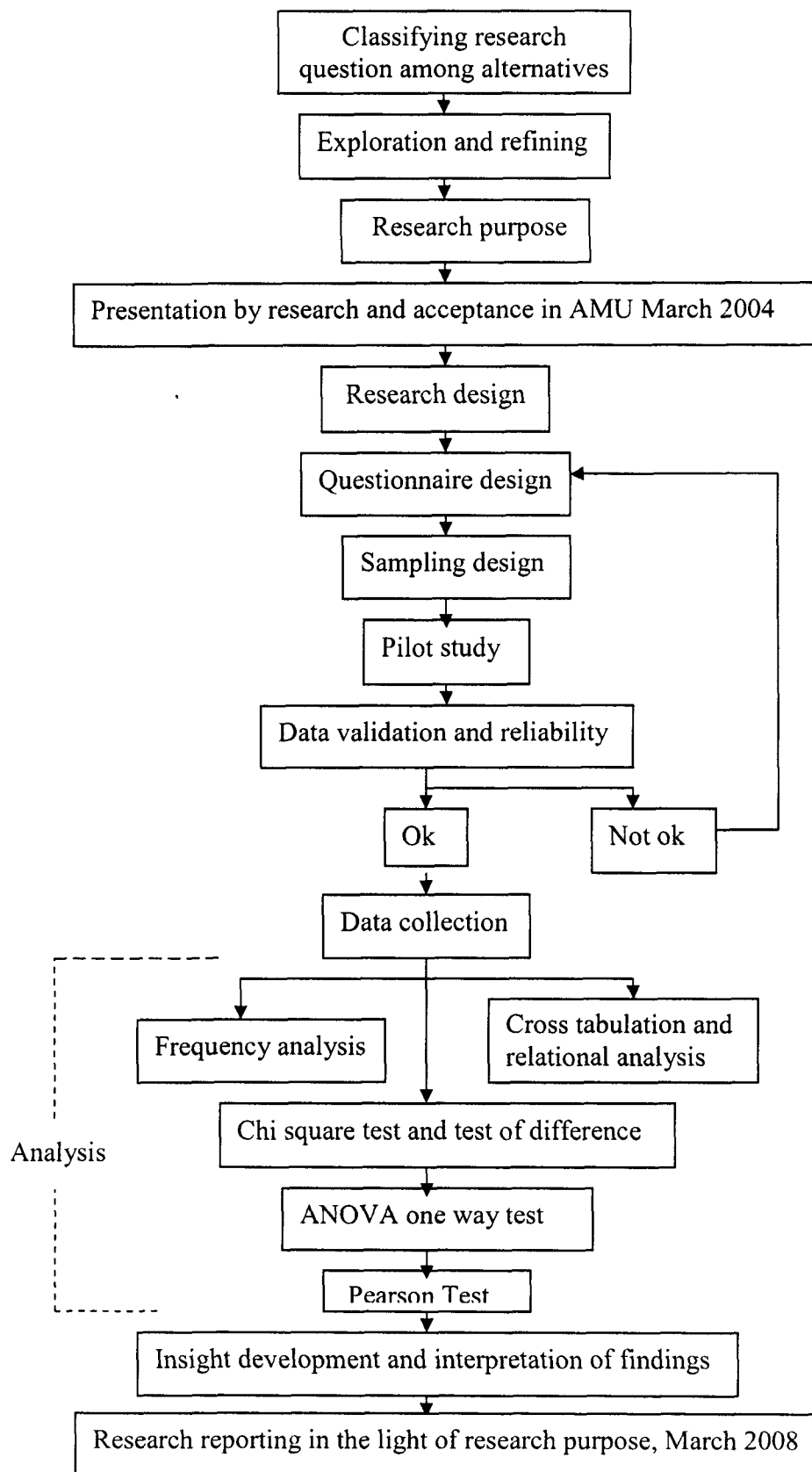


Fig. 1.17: Frame work of the study

1.7 Rationale of the study

From the preliminary studies it was found out that the study will be helpful to the aluminium industry for its growth considering:

- There were no studies made earlier in global marketing of aluminium products.
- Indian aluminium industry is a new entrant in export of alumina products since 1988.
- Indian aluminium industry growth figures in last two decades with average 8 percent annually are impressive.
- The large resource base of ore may bring considerable foreign direct investment and new projects. Metal manufacturing industries are going near the mines globally to reduce cost of logistics.
- The profit figures of Indian aluminium industry are good because of global lowest cost of production.
- Economies in east are growing faster than western world.

It was considered rational to study the problem which may help the industry to evolve global strategies and add to growth of the industry.

1.8 About Aluminium

The processes involved in manufacture of aluminium products from the stage of the mineral namely bauxite to different shapes of metal are based on causticisation process for alumina and electrolysis for extraction of the metal. The present study of global marketing and aluminium products is restricted to a) alumina which is a intermediary product used for manufacture of aluminium metal and b) primary aluminium metal in the form of ingots or pigs.

1.9 Need for research in global marketing of aluminium products

The Indian aluminium production is about 2.6% of the global production. The industry has a large potential for growth due to its large bauxite resources.

The Indian aluminium sector has a moderate importance in the Indian economy. While it has a number of applications across several sectors (such as power, automobiles, packaging, consumer durables, construction etc.), its turnover is just around Rs.120 billion (0.35% of GDP). In trade terms, exports of aluminium and articles thereof aggregated Rs.22.95 billion in Financial Year 2005, accounting for 0.6% of India's exports. Imports aggregated to Rs.2.065 billion during Financial Year 2005, accounting for 0.4% of India's imports. The total employment is less than 0.1 million.

Globally, over the last two decades, the production pattern for aluminium has undergone extensive regional changes. Although the US is still the largest primary producer of aluminium, China is catching up fast. China is now the world's largest aluminium producer, with production of 7.1 million tones in 2005, accounting for 25% of global production. Most of the recent growth in the aluminium industry has emerged from the developing countries.

The per capita consumption of aluminium in India is currently at 0.7 kg per annum, which compares poorly with the per capita statistics for most developing countries including Brazil (4.1 kg per annum), which is at a similar stage of development as India. The current low consumption of aluminium in the country, besides the fact that India has the fifth largest bauxite reserves in the world, points to large growth potential for this sector.

The study on global marketing of aluminium products and development of business from India is of great importance considering the fact:

- 1) The Indian economy is doing well with consistent growth rates since last two decades.
- 2) The current rate of GDP growth expected is around 9%.
- 3) The growth in manufacturing aluminium sector in India is impressive. In 1992 the manufacturing capacity was 0.6 million M.T. and as on date it is 1.2 million M.T. The state of art technologies are being employed. The quality standards of the products are upgraded to international levels.
- 4) Globally in production and usage, aluminium stands next to steel.
- 5) Aluminium is a young metal of 120 years old which has captured every walk of human life from cable to rockets.
- 6) The recent acquisition of large company Novelis of Canada by Indian aluminium manufacturer HINDALCO shows the managerial capabilities in Indian aluminium industries in addition to basic financial capabilities of large profits and huge cash reserves available in the sector. HINDALCO has an installed capacity to make 0.4 million M.T. of aluminium per year. Novelis acquisition will add 3 million tones of product to its portfolio and a large European customer base. In other words HINDALCO present turnover of Rs. 1100 crore annually will increase to Rs. 5500 crore annually. It is also interesting to note that HINDALCO's products are at the lower end of the value chain whereas the Novelis is at the higher end. The value of the deal is 6.1 billion dollars for the acquisition.

1.10 Various dimensions of research problem

The reasons highlighted in the introduction have provided an ideal setting for the researcher to investigate what requires of an Indian aluminium company to take the opportunity in its stride. Further aluminium being a metal that is produced in commercial quantities only since 1886, Indian aluminium industry has a great opportunity to take on the global aluminium market. Given the rate of diffusion of technology, the information on prices and the organised benchmark of fixing prices, Indian aluminium industry has not caught up to its competitors world wide with a jolting phase. To compete globally apart from the technology and quality one also needs to construct a global marketing strategy that enables the Indian industry to reach far and wide. This study aims at bringing a comprehensive understanding from such a perspective and for such an endeavor.

A wide range of variables, not typically encountered by domestic firms, characterizes the foreign marketing. That is why global marketing is considered multifaceted. Despite the complexities involved in global marketing, there are concepts and analytical tools that can help global marketers. Different marketing strategies suit

different countries and an organisation should learn to adapt to these complexities to enhance global marketing share.

The aim of this exploratory study is to provide an in depth organised understanding of the aluminium industry, focusing on the aspects of global marketing – Marketing potential and strategic outlook of players, promotion aspects pertaining to this industry, global business opportunities, pricing and people functions.. This organised study will help the industry to evolve, redesign/ reconsider their business model, as this study is multi-pronged in its approach in understanding the nuances and maps the expectation of different players in this industry. Moreover, this study also elicits the belief of the management (who were predominantly the respondents to the study) on various aspects ranging from the role of the government to the production technology and promotional methods. The study also aimed at covering units of all sizes to enable a complete understanding of the industry. The timing of this study is crucial since, Indian Aluminium industry is in a stage where the initiatives would be required to make it a predominant global player.

The broad objective of this study is to ascertain the use of corporate strategies in global marketing and to evaluate reasons for such strategies. It further investigates the government policies and rules and analyses their effectiveness for the industry. It identifies existing competition in global market and their competitive strategies. The study aims to develop future plans of the industry with respect to the four Ps of marketing.

1.11 Benefits of the Study

The study aims at long range global marketing area of Bauxite and aluminium resources available in India and project marketing. To set long term goals and milestones for growth is equally important while evolving a business model, taking into account the reality, the constraints and the expectations of the market, by understanding its customers and consumers well. By understanding the market well, a company can evolve a strategy which will become a corner stone to evolving business model and this report expects to provide an insight.

The study is expected to give increase of revenues by global marketing of aluminium products or reduce expenses or optimal use of resources and investments.

Chapter 2

LITERATURE SURVEY

- 2.1 Research carried out in the field of global marketing and topic related literature
- 2.2 Research carried out in the field of current literature on global marketing aspects such as global advertising, global marketing strategies, global pricing strategies, service strategies, entry strategies, global branding, relationships, ethics and social responsibility

THESIS

CHAPTER - 2

LITERATURE SURVEY

2.1 RESEARCH CARRIER OUT IN THE FIELD OF GLOBAL MARKETING AND TOPIC RELATED LITERATURE

2.1.1 Introduction

Importing and exporting goods across political boundaries were taking place since the dawn of human civilization. The business then was between kingdoms far and near, and few across continents. The goods were exchanged in a barter system or purchased against gold. The evolution of their type of business across national boundaries took centuries for understanding of resources in different parts of globe and the usage. The volume of trade were low in quantity, variety and value terms due to cumbersome and long time cycle problems in transport, handling and communication.

During the industrialisation period 1750 A.D. to 1980 A.D. the Global business grew many fold and spread to all corners of the globe. The improvements in transport, handling and communication helped to move manufactured surplus goods from one country to other. The onset of electronic communication use of internet and web has changed the course of international business to unprecedented growth in world history. The reasons are:

i) Faster	- Communication and conveyance modes
ii) Distances	- Reduced due to availability of faster and cheaper transport
iii) Costs	- Global competition is driving for better products and services at cheaper prices and improved quality levels.
iv) Out look	- There is perceptible change of out look and rush to grab opportunities in international markets.
v) Large organisations	- To meet large number of global customers there is growth of international large companies.
vi) Customer orientation	- The importance has shifted from product to customisation and created value to the customer.

Global marketing has emerged as a special branch in management arena due to its growth and importance in business and in national economies. Large commercial



organisations in global trade and their leaders have added scientific approaches to global marketing.

Mr. Jack Welch, the CEO of GE, (1994) states that “globalisation must be taken for granted. There will be only one standard for corporate success, international market share. The Winning Corporations will win by finding markets all over the world”. We have seen in the last few years the impact of globalisation through global marketing. The impact is visible in automotive sector, consumer electronics, consumer goods and IT sector.

The developed countries like USA, Canada, USSR, UK, France, Italy, have been practicing global marketing since 1960. They had the advantage of better infrastructure, technology and skilled manpower. It was easy for them to sell their produce and supplies produce to developing and poorer countries, most of them being in Asian and African continents. The prolonged British rule on poorer countries was helping UK to do export to these countries more easily. However, since 1975 few countries like Japan, South Korea, Taiwan, India and China started developing at a faster rate to catch up with developed nations. Of these, Japan and South Korea are already considered on par with developed countries. India is racing ahead in IT sector mainly due to English knowing technical manpower. Thus global marketing has spread to all the countries though the developed countries continue to have a larger share of the global market.

In global marketing the organisation engages its resources on global market opportunities.

Reasons for Global Marketing

The main reasons for global marketing are

- 1) Growth
- 2) Increase in market share
- 3) Presence of product in all regions
- 4) Innovation

a) Growth: This leads to opportunities for market presence in more areas, increased sales, scale of economies and profits. Increase in business brings growth for human resources in addition to creation of employment opportunities. Expansion of an organisation is a symbol of financial stability and market acceptability for the product. The companies that do not grow are considered to be stagnant or non-progressive.

b) Increase in market share: This leads to trying new areas inside the country and trying outside the country. Thus, creating a need for a global marketing. However, an organisation should know that global marketing involves an understanding of specific concepts, considerations and strategies that may be skillfully applied in conjunction with universal marketing fundamentals to ensure success in global markets. Coca-cola and Pepsi are constantly making various promotional activities to increase the market share.

- **Pull factor** – These are factors of attraction, which pull the business to the foreign markets. In other words, companies are motivated to go global because of the attractiveness of foreign market. The attractiveness has greater business opportunities, profits and growth prospects.

- **Push factor** – This refers to compulsions of the domestic market like saturation of the market, which leads to try abroad. These are all reactive reasons and some of the reasons are as follows:

Profit Motive – By international business activity the organisation is able to take best advantages of market situations of different countries. For example, cheap labour in India, Advanced machinery of Germany and Quality concepts of Japan, can be adapted at reduced cost; get better quality for more profits. Outsourcing of components can be done based on cost advantages and hence global outsourcing is beneficial. This is the reason why the trade groups are formed in American, European and Asian continents to simplify the import-export trade.

Foreign investment is flowing to countries like China and India specifically to take advantage of the low cost of production due to cheap labour and natural resources. While in some cases, the whole manufacturing of Product may be carried out in foreign locations, in some cases only certain stages of it are done abroad. Foreign branches of American companies manufacture almost 20% of the merchandise imported into the USA. Several American companies ship parts and components to overseas locations where the labour intensive assembly operations are carried out and then the product is brought back home.

Growth Opportunities

The liberalisation and privatisation processes in various developing countries have opened a vast untapped market for MNC's. The fast growth of economy in China and India has opened the floodgates for global marketing to leading organisations of the developed countries.

Saturation in Domestic Markets

In developed countries, the population is less and the growth of population is very slow. Hence, the sales of products do not increase in the domestic market. This is more apparent for consumer durables and capital items. When the domestic market is fully tapped, it becomes necessary for producers to tap overseas market.

Whenever there was recession in the domestic market, HMT Limited Bangalore was forced to aggressively try and work for export of machinery. Similarly, during the automobile industry recession in early 1990's, the auto component manufactures explored and developed components for Overseas Clients. Thus by necessity or by planned way the look out for global market is also dependent on domestic market conditions.

Competition

Competition is one of the driving forces for global marketing. A protected market does not normally motivate companies to seek business outside the home country. Until July 1991, the Indian market was highly protected by government regulations. Indian economy was protected from foreign and domestic competition was also restricted due to entry barriers due to Industrial licensing and MRTP act. As a result, Indian Producers did very little in export initiatives and growth of export in non-traditional items. The scene has now changed and liberalisation effect has improved the competition.

One of the offensive international competitive strategies is to be present in 'Counter-Competition'. This strategy is to penetrate the home market of the potential foreign competitor so as to diminish its competitive strengths and to protect the domestic market share from foreign penetration. From USA, the IBM Company made an entry to establish a position of strength in the Japanese Mainframe computer industry before two key competitors, Hitachi and Fujitsu could gain dominance. Holding about 25 % of the market, IBM denied its Japanese competitors vital cash flow and production experience needed to invade the US market. They lacked sufficient resources to develop the distribution and software capabilities essential to succeed in USA. Similarly Texas Instruments established semiconductor production facilities in Japan to prevent Japanese manufacturers from their own markets.

Government Policies

Government policies and regulations can have either favourable or unfavourable effects in global marketing. Some of the examples are as follows:

- a) Some governments provide incentives and tax concessions to encourage exports and to invest in foreign countries. Imports are liberalised for machineries, which will be used for export activities.
- b) In some countries export earnings are insisted upon to get permission for imports and
- c) The environmental laws dictate companies to go outside the country to set up their workshops.

With liberalisation process in many countries since 1990, the situation has changed and now the competitive edge takes care of the marketing and market share.

1. Presence of product: This refers to presence in all the regions and is taken better care by expansion and market share increase activities. The company is well known as global company when its products are sold in many countries. In order to achieve this, companies even resort to sell its products at cost price or sometime even at losses to make their presence felt. MNC companies Unilever, Coca Cola, Pepsi have various pricing and packaging strategies to make their presence felt in all the regions.

2. Innovation: It is one of the big plus point in sale of products in general and in global marketing in particular. Creativity, additional features, innovation, value engineering and cost reduction play a major role in capturing the market share. Laptop is innovation on personal computers. Colour TV is innovation on black and white TV. Ironing of clothes got innovatively changed by using iron boxes from coal based to electricity based and then steam based. Thus innovation and creativity leads to consumer interest and buying motive. It is scientists and technocrats who contribute more towards innovation. This is the reason why developed countries like USA, UK, France, Italy, Germany and Japan are taking more and more advantage of innovation.

Innovation is revolutionary in electronic field thus making global marketing easy on account of fast improved communication systems like internet, e-mail, teleconferencing, LCD, laptop, fax, wireless telephones, mobiles, LAN, MAN and WAN

etc. In fact all the communication methods themselves are recently innovated and very widely used by one and all.

Strategic Concept of Marketing

Determination of a unified, comprehensive and integrated plan of action sequences designed to achieve long term basic objectives. Allocation of necessary resources for carrying out the plans is strategy. The strategies made in the area of marketing will play a critical role in global marketing efforts. It spans to all 4 Ps of marketing. Indian aluminium industry is exporting its products since 1988. It is employing currently generic approaches like cost leadership only. The industry has to develop global strategies for development.

Around 1960 the focus of marketing shifted from product to the 4 P's namely, product, price, place and promotion. For about three decades the concept was well accepted. However, since 1990, one more factor called the Probe, which is research on internal and external environment, is adopted. Now the focus on customer is to suit the customer in an environment. Knowing about product and customer is not enough. Marketers must know the customer in the context including the competition, government policy and regulations and the broader economic, social and political forces that shape the evolution of markets. In global marketing context this shall mean working closely with home country government trade negotiations and other officials and industry competitors to gain access to a target country market.

A revolutionary change in marketing strategy is from profits to stakeholders benefit. The main stakeholders are employees, directors, shareholders, customers, vendors, the society and the government. Marketing must focus on the customer in this context and deliver value by creating stakeholder benefits for both customers and employees. Profit continues to be a critical objective and a major of marketing success, but it is not an end in itself.

The aim of marketing is to create value for stakeholders and the key stakeholder is the customer. If our customer can get greater value from the competitor (who accepts lower profit levels) the customer will chose the competitor and our firm will loose business.

Meaning of Global Marketing

Global Marketing covers marketing at home country as well as marketing in more than one outside country referred as host countries.

All the MNC's are doing global marketing and have hence carved their names in fortune 500 companies of the globe. Some of the prominent names are Unilever, P&G, Colgate Palmolive, Toyota, BMW, Coca-cola, Pepsi, and Marlborough etc.

Coco-cola is good example of marketing which adopted different promotional strategies to suit the local tastes and likes. They have adopted 'think globally and act locally' strategy in their promotion. This means distribution, packaging and approach have to be localised using local people to do this work. The promotion activity should be with in the framework of socio-cultural values of locals. They achieve this global-localisation in their marketing strategies.

Global marketing does not mean entering all most all the countries for marketing. It only means widening the business horizons to encompass other countries by scanning

opportunities and threats. The decision to enter markets outside the home country is based on company's resources, management vision, nature of opportunities and threats. Coco-cola is a classic example as it covers more than 180 countries and in addition to the flagship brand of Coco-cola it produces another 200 non-alcoholic beverages to suit local tastes and preferences. This enables them to have a strong global presence. Other companies which have made strong global presence are Philip Morris, Marlboro Cigarettes, and Daimler Chrysler with Mercedes' Car, McDonald restaurants, Cisco systems and IBM in IT sector, Gillette (Razors) Unilever in FMCG area and so on. Different companies have used different strategies and these are jotted down as under:

Company and home country	Global Marketing Strategy
1. Coco-cola (USA), Philip Morris (USA), Daimler Chrysler (Germany).	Brand Name
2. McDonald (USA), Toyota (Japan), Ford (USA), Cisco Systems (USA).	Product Design
3. Unilever (UK, Holland), Harley-Davidson (USA).	Product Positioning
4. Gillette (USA).	Packaging
5. Benetton (Italy)	Distribution
6. Caterpillar (USA)	Customer Service
7. Toyota (Japan), Honda (Japan), Gap (USA).	Sourcing

(Source: Adapted from international business, Page 40, K. Aswathappa, TMH Publication Co. Ltd, New Delhi)

Table 2.1 : Global Marketing Strategies of some MNC's

From data of Table 1.1 following observations can be made:

- 1) Brand name sales have an impressive symbol and slogan (punch line). The punch line is adopted as per the language of the countries wherever the product is marketed.
- 2) McDonald's has designed a restaurant system that can be set up virtually any where in the world.
- 3) Unilever uses teddy bear in various world markets to communicate the benefits of the company's fabric softener. Harley-Davidson's motorcycles are positioned around the world as the all-American bike.
- 4) Gillette uses the same packing for its flagship sensor razor everywhere in the world.
- 5) Italy's Benetton utilizes a sophisticated distribution system to quickly deliver the latest fashions to its worldwide network of stores.
- 6) Caterpillar's network of dealers enables '24 hours parts and service' anywhere in the world.
- 7) Gap relies on low wage countries for supply of clothes and dresses and sells in USA. Similarly Honda and Toyota heavily rely on sourcing components from other countries.

International Orientations

An organisations response to global marketing opportunities depends upon its assumptions on environment of international business. These assumptions are categorised as (a) Ethnocentric orientation, (b) Polycentric orientation, (c) Regiocentric orientation and (d) Geocentric orientation. The gist of these orientations is explained in Table 1.2.

Ethnocentric <ul style="list-style-type: none">• Home country is superior, sees similarities in foreign countries.• Home country orientation.	Polycentric <ul style="list-style-type: none">• Each host country is unique; sees differences in foreign countries• Host country orientation.
Regiocentric <ul style="list-style-type: none">• Sees similarities and differences in a world region, is ethnocentric or polycentric in its view of the rest of the world.• Regional orientation	Geocentric <ul style="list-style-type: none">• World view, sees similarities and differences in home and host countries.• World orientation.

(Source: Adapted from International Business, Page 209 – 212, Charles W.L.Hill, TMH Publications, New Delhi)

Table 2.2 : Orientation of Organisational Thinking

a) Ethnocentric Orientation : In ethnocentric company the management gives more importance to domestic marketing and lesser importance to overseas operations. The company views domestic techniques and personnel as superior compared to the outside world. Plans for overseas market are developed in the home office utilising policies and procedures identical to those employed in the domestic market. An export department most commonly administers overseas marketing and this department consists of home country nationals. This increases dependence on export agents. There will be tendency to push the goods to overseas markets without any modification. Hence ethnocentric orientation suits better to the smaller companies who mainly do domestic marketing and very little international marketing. Though this reduces the risk factor the company will not be able to increase the global marketing with this kind of marketing strategy.

b) Polycentric orientation: In polycentric orientation the top management recognises the need to adapt to the environmental factors of various countries where marketing is targeted. Each country is considered as segment and marketing is done in a planned way taking care of local laws, socio-cultural values and systems. This means there will be decentralisation of global strategies and the respective region managers will be close to the customers, market and adjust well to the overall environment. In short, the marketing strategies are adopted to suit the conditions of the host countries.

c) Regiocentric orientation: The company management views different regions as different markets. A particular region with common marketing characteristics is regarded as single market, disregarding national boundaries. Regional headquarter decides marketing policies in consultation with the organisations head office. The formation of

NAFTA, EU, SARC are based on regiocentric orientation. The management views region as unique and seeks to develop an integrated regional strategy.

d) Geocentric orientation: In geocentric approach the company views the entire world as a single market and develops standardised marketing mix, presenting an uniform image of the company and its product for the global market.

Both regiocentric and geocentric orientation takes care of global marketing. This leads to developing standard policies throughout a given market segment. In terms of cost of marketing regiocentric is economical compared to geocentric. The geocentric position is considered more advantages for production, research and development and for marketing. This is due to notional differences in laws and currencies.

We can conclude that the desirability of particular international orientation E.P.R. or G. – depends on several factors such as the size of the firm, the experience gained in a given market, the size of the potential market and the type of the product and its cultural dependency.

Stages of Internationalisation

There are very few companies, which are doing global marketing right from the inception stage. Very few companies get started as Export Oriented Units (EOUs) and take up international marketing right from the beginning. Majority of the companies pass through various stages before internationalisation. Initially they start with a low degree of export activities and gradually develop a global outlook and embark upon overseas business in a big way. The important stages in evolution of internationalisation are as follows:

1) Domestic Company: Orientation of a domestic company is essentially local. When a domestic company reaches its growth limit in its primary market, diversifies into new markets, products and technologies instead of venturing into the international marketing. However, competition, domestic market constraints, foreign market prospect can make the company reorient its strategies to probe foreign market potential. This will mean that it will be moving to the next stage in the market evolution.

In a small way a domestic company may send its produce to foreign country by indirect exporting. This may, in few cases, lead to more serious efforts in export business and to next stage of development.

2) Transnational Company: This is second stage of a company towards becoming a global corporation. The company has well established in domestic market and then doing overseas marketing as well. A group for which office is opened in the country where marketing is established separately handles the international marketing.

3) Multinational Company: When a company starts to recognise market differences it evolves into stage three 'multinational' and adopts multi-domestic strategy. The marketing strategy is to adapt to the environment of the foreign segment. Each foreign subsidiary is managed as if it were an independent city-state. Usually the marketing offices in various countries report to the headquarters, which is situated in country of origin.

4) Global Company: Global status is stage four or last stage in evolution of global operations. There are very little differences between these two phrases. In global companies all strategies pertaining to product development, production, sourcing, and marketing will be global. The company will take best advantage of cost factors, quality aspects, technology and marketing strategies to have a competitive edge in global marketing scenario.

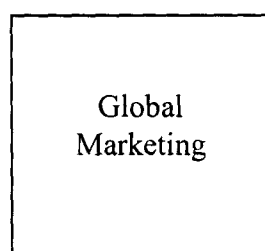
Nature of Global Business

Marketing principles are universal, be it domestic or global. The strategies tasks and functions remain almost similar. In case of global business the function become intricate due to inherent complexities in global business.

Forces affecting global marketing

Favourable Forces

Market potential
Technology
Cost advantages
Liberalised market
Peace in the region
Management vision
Regional Economic
Growth



Unfavourable Forces

Government Regulations
Excess Nationalism
Disturbances in the region
Management Myopia
Domestic focus
High costs due to taxes
Organisation history
Poor infrastructure

(Source: Adapted from *International Business: Environment and Management*, Page 279, V.K.Bhalla, Anmol Publications Private Limited, New Delhi)

Fig. 2.1 : Forces affecting global marketing

Favourable (Driving) Forces

The global marketing needs the support of updated technology, cost reduction measures, quality improvement, better communication and transports, opportunities in terms of economic growth and favourable socio-political environment.

i) Market Potential: Market potential is based on population in case of FMCG and consumer goods. Market potential is normally assessed by market survey. MNCs use specific market survey before launching any product. Such a survey gives them a fair assessment of the potential market and accordingly they will give a start. This helps to avoid inventory and marketing problems at a later stage.

ii) Technology: In global marketing, whenever, technology is referred it will be about latest technology. This is a universal subject and should be made available to all the countries. New innovations like satellite dishes, internet, e-mail, FMS, CAD, CAM, Robotics are all latest technologies the usage of which has improved speed and efficiency of the organisational working. The initial investment to adopt latest technology may be high but later on the investment proves worthy due to high volume and high quality production at lesser cost and time. Only those organisations, which are fast to adopt

technological changes and those who invest in R&D, innovations will do very well in global level competitions.

iii) Trade Blocks: Regional economic agreements or trade blocks between few countries simplifies the procedures and reduces the barriers thus helping organisations involved in global business. The successful examples of NAFTA, EU, SAARC explain that economic agreements help to improve international marketing. In 1994 WTO was formed (from GATT) and this has 149 country memberships in the world and this organisation aims to promote and protect free trade amongst its members throughout the world.

iv) Quality: Product design and manufacturing quality plays a vital role in global marketing. Organisations should spend up to 5% of the sales revenue in R&D activities for continuous improvement process in design, quality and reliability. MNCs like Toyota, Hitachi, BMW have achieved a quality standard which have become a bench mark to others. Global competition essentially has quality aspect as prime mover. This calls for implementation of TQM at the organisational level.

v) Transportation and Communication: Both transportation and communications have time and cost factors attached to them. In recent two decades these two have immensely improved. The air services have increased to all destinations and the privatisation of air services has made it very competitively priced and hence customer is at an advantage. Communication systems have vastly improved due to wireless telephones, mobiles, e-mail, video conferencing, tele-conferencing, fax and internet usage for various information. Developments in electronic gadgets have helped to have clear and hassle free communications.

The global marketing has become now easier than ever due to high technology backed communication and transportation systems.

vi) Cost Advantages: Globalisation enables us to tap various countries to get components, assemblies, services at lower cost compared to home country. Outsourcing has become more common due to various regional trade agreements and the WTO agreement. MNC organisations have been taking maximum advantage of outsourcing to sell their products in a highly competitive global market.

In new product development cost and time factors are reduced drastically due to due of outside technology, cheap labour and materials. Even in service sectors like IT and Call centres outsourcing of jobs to developing countries has given tremendous cost advantages to the MNCs.

vii) Economic Growth: The economic growth of a country augurs well for entry of foreign companies. The economic growth is possible by industrial, agro and service sectors. A good monsoon and harvest of agro produce boosts the national economy and also purchasing power of the rural population. In highly populace countries like China and India 70% of the people live in rural sectors. Hence improvement in agricultural output creases a favourable atmosphere for MNCs to sell their goods. Economic growth

always leads to plenty of opportunities to all types of business for domestic and global marketers.

Various countries have adopted liberalisation and privatisation to develop their economy. This trend has helped to open up the market for MNCs and private entrepreneurs to develop marketing activities. In the bargain customers, is gaining in terms of quality, variety and reasonable pricing.

Global Company Advantages

Global companies have specific advantages like experience, scale of economies, resource utilization, and global strategy. These leverages put them ahead of others in competitive global market:

- 1) **Experience:** The existing global companies can utilise or transfer their experience in management practices, strategies, products, advertising appeals, and promotional ideas. Since these practices are tested in existing market the same can be tried in new markets. The experienced executives and specialists can be relocated to take better care of the new areas to be probed in global marketing. The experience of the executives enables them to suitably adapt to changing trends in market.
- 2) **Production Volume:** Global companies can take advantage of scale economies by manufacturing larger volume from a single factory. They can also outsource components from different countries and reduce their cost of manufacturing. Japanese electronic industry took maximum advantage of outsourcing for components from Hong Kong, Singapore, South Korea and Taiwan. This enabled them to take better care of costs and quality, thus making them world leaders in consumer electronic goods.
The scale economy and outsourcing enables to keep minimum manpower and per man output will be very high in terms of quantity and value. By keeping minimum staff and controlling from Head Office the global companies can have maximum effectiveness and output from their employees.
- 3) **Resource Utilisation:** Global Company is in a better position to mobilise executives, raw materials, components and funds that will enable it to compete most effectively in world markets. Moreover, an established company by virtue of its reputation can issue shares at global level to collect funds required for expansion and development activities. It will be in a position to attract best talents in their field of activity. Hence, the global companies are in a better position to exploit the human and material resources around the globe.
- 4) **Global Strategy:** Global strategy is built by scanning the global business environment. This is done based on SWOT analysis. Whenever opportunities are identified the global company uses its scale economies, experiences and resource mobilisation. Added to this, disciplined work culture, creativity and consistency of efforts will give rewards in a new market. A global company is in a position to withstand poor sales or slow start in the initial stages. They have the advantage that rewards are for growth where as for smaller companies rewards are for sustenance.

Unfavourable Forces (Restraining Forces)

The global marketing is not free of constraints. The commonly observed restraining forces are: (1) Management Myopia and organisation culture, (2) government controls and (3) Environmental disturbances.

1) Management Myopia: Top management in oriented organisations are content with domestic market. Even if they come across global opportunities they tend to take it lightly. There will also be failures if management at head office does not listen to feed back of sales forces and start dictating the branches of their own assumptions. The focus on customer looses its shine, as management does not listen to feed back of the marketing force.

The executives of successful global companies integrate global vision and perspective with local market initiative and input. There has to be mutual respect and recognition of views expressed at head quarters and local level field officers.

2) Government Controls: Due to liberalisation process all over the world the controls and barriers are removed or being removed phase wise. However, some countries have their own socio-cultural values and rules. For example, in Indian advertising of alcohols, cigarettes and gutka advertising is banned. Also women cannot be shown in a derogative way in any type of advertisements. These restrictions work as barriers to companies to utilize their advertising policies and use the available audio-visual aids. Similar rules prevail in Islamic countries, which are very rigid on provocative advertisements. This will mean the global companies have to adopt totally different strategies in some countries for their promotional activities.

3) Environmental Disturbances: The working conditions in various countries are not always peaceful. The organisations suffer due to various environmental problems. Some of the common happenings are man made problems. These are wars, battles, riots, terrorism, general strikes, and hesitations on caste, religion and groups, sabotage and political instabilities. Few countries like Israel, Palestine, Iran, Iraq, Afghanistan etc., are always having some or the other problem and are not growing well as their losses exceed their gains.

In addition, to man-made problems at times natural calamities affect the organisational working. These are earthquakes, volcano, landslide, sea floods, river floods, draught and fire. These are beyond control of the people and only efforts can be made to minimise the losses.

Some of the disturbances are readable and some are not. Accordingly precautions and care can be taken for damage control. The global companies must keep a watch on environmental problems so that they can take better care of themselves.

I. Multinational Corporations (MNCs)

MNCs are a major driving force for globalisation occupying central place in international trade. The globalisation process in various countries, especially in erstwhile communist countries has expanded the opportunities for the evolution and growth of MNCs. Their share and importance is significant in investments, production, trade and employment.

The emergence of MNCs was felt after the Second World War and USA was the have MNCs with global reputation. Other countries like China, India, Brazil, Mexico, Indonesia etc., are in the league of MNC hosting countries since 1990.

A simple definition of MNC as provided by Peter Drukker is “The essential nature of the MNCs lies in the fact that its managerial headquarter is located in one country (home country) which the company carries out operations in a number of other countries (host countries) as well”. This means company controls the production and operations in more than one country and such facilities are acquired through the process of FDI. The firms that participate in international business, however large they may be, solely try exploiting or by licensing technology are not multinational companies. Hence, an MNC consists of following benchmarks:

- It undertakes production in home country and host countries.
- Operates in certain minimum number of nations (say more than 3)
- Generate minimum percentage of income from overseas operations (say 25%)
- Amongst employees it should be a mix of home and host country people.
- Management should have geocentric orientation.

Importance of MNCs

In last 10 to 15 years the MNCs has grown very fast due to liberalisation process in various countries. The awesome economic strength of the MNCs can be understood by the fact that GDP of many countries is smaller than the annual sales turnover of MNC giants. Only developing counties like China, India, Mexico, Brazil, Argentina, Indonesia and Republic of Korea have higher GDP than any giant MNC. All other smaller and poorer countries GDPs are lesser than sales turnover of MNC giants. It is amusing to know that the total sales turnover of three largest automobile firms (GM, Ford and Toyota) far exceeds India's GDP.

MNCs have raised the hopes for employment and high salaries for executive positions. The growth of employment opportunities is about 10% per annum and all the developing countries are benefited by this growth rate.

Countries like China, India, Mexico, Brazil, and Indonesia largely depend upon the MNCs for their export earnings. Worldwide the international trade has been increasing steadily due to expansion of MNCs. Other than trade, the activities like granting of loan, licensing of technology and provision of services contribute to economic growth and overall quality up-liftment. Some of the commonly observed benefits of MNCs are as follows:

- The investment levels are increased and this helps rise in income and employment levels of host country.
- The technology transfer is smooth and fast. This has immensely helped developing countries.
- There is evolution of professional management in many developing countries.
- The development has enabled the developing counties to have a favourable situation in their import-export trade.
- MNCs have been able to exploit the natural resources in a more economical way due to usage of high technology.

- R&D culture is growing. MNCs have been able to revive domestic companies by using them as subcontractors.
- The competitive spirit is increasing. The customer is gaining more value for money in terms of quality, variety and choice.

Though the benefits outweigh the drawbacks, some of the drawbacks of MNCs are as under:

- The home country employment is diverted to host countries abroad.
- Some of the MNCs do not care for environmental problems as much as they are expected to do.
- MNCs are not bound to follow national priorities of host countries. They only look for profit maximisation.
- There is scope for large MNCs to create monopoly and eliminate competition from domestic companies.
- In poorer countries MNCs are able to create political ups and downs.
- They are accused of changing the traditional cultures and tastes of host countries.

Future Scope of MNCs

- There is clear emphasis of growing privatisation in developing countries.
- The whole world is getting used to changing technologies and MNCs are helping to transfer high technology even in poor countries.
- MNCs have narrowed down the distances by developing infrastructure and improving efficiency and productivity.
- The number of MNCs is increasing and existing MNCs have been growing.
- The regional trade groups have become meaningful and stronger due to the contribution of MNCs.
- Due to all-round and fast economic growth the governments are supportive of MNCs and large size projects are entrusted to them.

Code of Conduct for MNCs

United Nations Economic and Social Council has drafted a code of conduct for MNCs. The salient features are as follows:

- Respect the national sovereignty of the host countries and observe their domestic laws, regulations and administrative practices.
- Adhere to host nations economic goals, development objectives and socio-cultural values.
- Respect human rights.
- No interference in political affairs of host country.
- Do not indulge in any corrupt or unfair practices.
- Take care of consumer interest
- Environmental protection.
- Follow the taxation rules and disclose financial statements to host country government and public.
- Contribute to science and technology growth of host country.

- Consult with employee representatives regarding major changes in operations, avoid unfair discrimination in employment and provide good work environment.

Above factors could not be enacted as a law in UNO as developed countries' representatives wanted these to code of conduct to continue as guidelines.

MNCs in India

Most of the MNCs in India had originally entered the Indian market during the colonial era. They grew fast with state patronage. During the post independence era, the actual number of MNCs was small. The entry was generally made through collaboration with Indian big business. For instance, Bajaj Tempo and Telco joined hands with Daimler Benz of West Germany; Cynamid, Ciba and Ciba-Geigy jointly established new undertakings with Lalbhai House; Birlas became the spokesmen of Kaisers and Ford. Sarabhai Murguppa Chettair, Naidu, Thapars, Kirloskars and other houses also joined to promote large private sector companies in collaboration with MNCs.

At the end of 1990, there were 469 foreign companies in India. In addition, there are many Indian companies with foreign equity participation. Several Indian outfits of MNC's like Pond's Johnson and Johnson, Lipton, Brooke bond, Colgate-Palmolive etc., are in low technology consumer goods sector. Hindustan Lever, while popular in low-tech consumer sector, has diversified into high technology and export oriented sectors. Ponds have diversified into thermometers and leather upon mushrooms entirely for exports (Ponds, Brooke Bond, Lipton and HLL come under the multinational umbrella of Unilever). ITC (Indian Tobacco Company formerly Imperial Tobacco Company) has diversified into areas like hotel, paperboards and edible oils.

There are several MNCs; in the pharmaceutical industry, like Galxo, Bayer, Sandoz and Hoechst MNCs like Marubeni and Nisscholwan confine to foreign trade.

Top 500 MNCs operating in India and their country of origin			
Country	No. of MNCs	Country	No. of MNCs
USA	- 157	Netherlands	- 7
Japan	- 119	India	- 6
UK	- 43	Finland	- 6
Germany	- 33	Belgium	- 4
France	- 32	South Africa	- 4
Sweden	- 14	Spain	- 4
South Korea	- 13	Norway	- 3
Switzerland	- 10	Turkey	- 3
Australia	- 9	Mexico	- 2
Canada	- 9	Britain/Netherlands	- 2
Italy	- 7	Others	- 13
		Total	- 500

Source: Adapted from The Fortune Global 500, 2005, money.cnn.com/magazines/fortune/global500/

Table 2.3: Top 500 MNCs

Role of MNCs in India

There is no distinction between an MNC and a domestic company in India. The policy regarding MNC is the same as the Foreign Private Capital in India. Large and dominant MNCs along with Indian companies are covered under MRTP Act. MNCs are specifically covered under Foreign Exchange Management Act (FEMA).

Now, specific business related aspects of MNCs in India could be covered as under:

1) Profit Maximisation : Most of the private companies including MNCs have profit maximisation as the most important objective. However, MNCs are expected to operate fairly and behave like a Corporate Citizen. Few MNCs have found to under value exports to save taxes payable to Indian Government.

2) International Network of Marketing: India expects the MNCs to increase their exports and earn foreign exchange for India. But most of the MNCs transfer the Foreign exchange to its parent country, just in the name of imports from their home country.

3) Diversification Policy: India expects the MNCs to diversify their activities into the untapped areas and the priority areas like core industry and infrastructure industry. But majority of the MNCs diversify into the more profitable areas. For example, ITC ventured into hotel industry.

Most of the MNCs entered Indian consumer market like HLL due to the high profitability rather than capital goods markets, which is less profitable.

4) Location of Central Offices: MNCs diversify their activities to various countries having their central control offices which provide them maximum global advantage. Unilever, though a company born in Holland, took up British for operations in erstwhile British Colonies.

5) Techniques to achieve Public Acceptability: MNCs adopt a number of techniques to get the acceptability of the people of the country wherever they operate. For example, HLL and Colgate-Palmolive use Hindu sentiments in their advertisements. Colgate uses Cow and Calf in their advertisement to attract large scale Hindu population. Thus most of the MNCs tries to project themselves as if they have completely adjusted with Indian culture and economic policies.

6) Modern Technology: In order to get maximum profits in their business MNCs have developed modern and sophisticated technology to produce high quality and high volume production at lower cost. They bring this technology to developing countries rather than transferring the technology to Indian businessmen. This forces India to depend on MNCs for latest technologies.

7) Business, But No Social Concern: MNCs have chosen and located their business according to demand and for profit maximisation. They also have not taken any projects of infrastructure, which is the need in developing countries.

8) Exploitation of Resources: The MNCs have been exploiting Indian natural resources and human resources based on the supply and demand of market. They are transferring the proceeds of the sales to their home countries and depriving the export income which is due to India.

9) Cultural Erosion: MNCs business activities are many in areas like cigarettes, alcoholic liquors and soft drinks like Coca cola and Pepsi. This is changing the eating and drinking habits of Indians, thus creating cultural erosion.

10) Environmental Pollution: It is observed that MNCs do not follow the rules for environmental and pollution control as they do in their home countries. Bhopal gas tragedy of Union Carbide is a classic example.

Considering all favourable and unfavourable aspects of MNCs it can be concluded that they have contributed for growth of Indian Industry. Indian employees and public have the access to the latest technology, machinery and communication systems. Trained Indian engineers have been getting lucrative jobs due to MNCs.

II. Global Marketing and Research

Both in domestic and global marketing reliable and sufficient information is essential for decision making. Collection of data, processing and analysis of all types of information from all variables helps in proper decision-making. Some points are:

- i) **Market selection related information:** At global level market selection has a relevance to international environmental factors etc. A countries political, economic and currency stability, government policies and regulations are the areas about which information is required.
- ii) **Product related information:** This includes consumer tastes and preferences about the product like unit size / quantity, shape, colour, product form, packaging etc. Frequencies and rates of consumptions, purpose of use, regulatory aspects and so on.
- iii) **Price related information:** Price related information includes prevailing price ranges, price trends, margins, pricing practices, price elasticity of demand, role of price as a strategic marketing variable and government policies, regulations etc.
- iv) **Promotion related information:** Data on aspects like media availability and effectiveness, government regulations; customs/practices of promotion in the market concerned, competitors' attitude etc are required.
- v) **Distributed Related Information:** Factors like channel alternatives and characteristics, relative effectiveness of different channels, customs and practices of the trade, power and influence of channel members are the areas for which information is required.
- vi) **Competition Related Information:** A company will also need information about the competitive environment including the extent of competition, major competitors, relative strengths and weaknesses of competitors, strategies and behaviour of competitors etc.

International Marketing Research

International marketing intelligence involves the creation of an information system, which should be a part of the company overall information system for international business. Viewed from this perspective international marketing intelligence includes several different tasks, one of which is marketing research on individual foreign markets. Marketing research is a systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services. The sources of information are internal sources and external sources. Internal sources include sales and cost records, accumulated knowledge of the company personnel and any other data available with the company. The external sources include information collected from both primary and secondary data. The marketing research may be conducted by the company itself or it may be with an external agency like consultancy organisation, advertising agency or management institute.

2.2 Research carried out in the field of current literature on global marketing aspects such as product, quality, e-commerce, brand, harmonisation and standardisation.

Review of Current Literature

Global Advertising:

2.2.1

Relevance: reach - psychologically and physical

Given the past and current migration of population of several countries, a significant and growing global marketing opportunity exists for products where the national identity or country of origin can be used as positive sub-branding. Two important questions for marketing researchers are discussed: first, how to 'reach' these consumers psychologically and, second, how to 'physically' reach them. To appreciate how to reach them psychologically the emotional significance and key dimensions of national, cultural or regional origins are examined using both the literature and a qualitative research study. As regards how 'physically' to reach and make contact both in marketing research and marketing terms with such a geographically dispersed target market, the authors examine marketing research and database research questions to establish a person's perceived roots, and report on an innovation in the use of personal and family names as indicators of origins or affiliations. Focusing on Scottish migrants and their descendants as a case study, the paper reports on a programme of research in which the strength of the link between Scottish identity and the consumption of Scottish goods is determined. The findings indicate a significant marketing opportunity given the above average level of purchasing of Scottish products by migrants and their descendants; particularly as such people represent ambassadors for goods from their country of origin. The implications for other migrant groups across the world are noted. (Nancarrow, et al, 2007)

2.2.2

Relevance: *Arab world, ad content, culturally normative and product-related markets.*

A framework for standardisation of ad content based on cultural and socio-economic similarity among countries is proposed. Advertising standardisation is investigated in the Arab world, a culturally similar setting with socio-economic differences among nations, by carrying out a content analysis of 949 ads from Egypt, Lebanon and the United Arab Emirates. Extant research suggests that, when advertising in culturally similar markets, advertisers use standardised advertising. The authors investigate two types of ad content - - culturally normative and product-related -- and show that culturally normative ad content, such as the depiction of women consistent with societal norms, is predominantly culture driven, and standardisation is appropriate, regardless of socio-economic differences. On the other hand, product-related content such as information content, the use of hedonic vs utilitarian appeals, and the provision of price information are influenced by both cultural and socio-economic factors. Hence, standardisation is not appropriate for product-related ad content when socio-economic differences exist among culturally similar markets. Thus, conditions under which standardisation of the two types of ad content is appropriate are identified. Implications and suggestions for future research are also offered. (Karande, et al, 2006)

2. 2.3

Relevance: *advertising standardization, strategic performance*

Building on Zou and Cavusgil's (2002) global marketing strategy (GMS) framework, the authors propose a structural model of advertising standardization that explores (1) the factors that encourage firms to engage in standardized advertising; and (2) the impact of advertising standardization on advertising effectiveness, as well as on two measures of firm performance. Results from a survey of Japanese and U.S. subsidiaries operating in the European Union (EU) provide support for the model. They also suggest that standardized advertising does enhance a firm's financial and strategic performance, provided that the external environment and internal resources of the firm are conducive to standardization. (Okazaki, et al, 2006)

2.2.4

Relevance: *European Union, standardization of advertising*

This study reports the results of a survey of executives of subsidiaries of Japanese and U.S. firms operating in the European Union (EU). The fundamental issues addressed are the degree to which firms perceive EU national markets as similar, the degree to which firms use standardized advertising across the EU, and firms' reasons for standardizing advertising. Global marketing strategy theory contends that firms are more likely to follow a strategy if the environment is conducive to that strategy, suggesting that greater convergence of EU markets would lead to greater standardization of advertising. The findings of this study indicate that both Japanese and U.S. managers still note obstacles to the standardization of advertising in the EU. Consistent with global marketing strategy theory, overall levels of standardization of advertising are somewhat moderate. Firms in

the United States are slightly more likely than Japanese firms to use a standardized advertising strategy in the EU. In addition, U.S. firms tend to put greater emphasis on the creation of a uniform brand image, whereas managers from both countries value cost savings. Japanese firms value the higher level of central control that can emanate from standardization. (Taylor, et al, 2006)

2.2.5

Relevance: *colour in marketing, instincts and associations, meanings of the objects or situations*

Should a marketer adopt a pan cultural or a culture specific approach when using colour in marketing? Colours exercise powerful effects and induce reactions based on both instincts and associations. Colours alter the meanings of the objects or situations with which they are associated and colour preferences can predict consumers' behaviour. This article reviews the psychological and socio cultural associations and meanings of colour(s) in a cross cultural marketing perspective and outlines their role as a marketing cue. Because cultural values, marketing objectives and desired customer relationship levels influence the choice of colour in corporate and marketing communications, it is argued that a cross cultural perspective of colour research and application is imperative for developing global marketing strategies.(Aslam, et al, 2006)

2.2.6,

Relevance: *standardization of promotion and of advertising, marketing versus selling orientation, export performance*

The specific nature of international standardization, and the possibilities for its use, has been much discussed, although it is fair to say that most attention has been turned towards the standardization of promotion and of advertising in particular, rather than to international product standardization. In case of export marketing, product strategy translates into product adaptation policy. The marketing concept dictates that firms should practice market segmentation and design product offerings to suit their target market. Its logical extension, in export marketing, is that firms which elect a product adaptation and market segmentation strategy can be expected to perform better than those that do not. The research findings by market researchers suggest that marketing versus selling orientation is associated with a much stronger export growth 136 per cent versus 26 per cent and to higher export intensity 49.3 per cent versus 36.9 per cent of output. They concluded that the manufacturer who is content merely to sell his domestic product abroad, essentially unaltered is likely to achieve a below average export performance, particularly in terms of export growth. (Whitelock, et al, 1987)

2.2.7

Relevance: *standardising communication activities, implementation of global marketing*

In this article a comprehensive concept of global marketing is developed. Global marketing philosophy to date is outlined. It is shown that global marketing is far more

than merely standardising communication activities. On the one hand, the globalising philosophy has an influence on the marketing mix as a whole and, on the other; global marketing can also be executed as far as internal processes are concerned. To realise these standardisation activities, special organisational forms are needed for the implementation of global marketing. Various organisational possibilities for the incorporation of global marketing are described. (Raffée, et al, 1989)

2.2.8

Relevance: The industry directory and its importance.

Presents a directory of associations in the metal industry. Feature on the Aluminum Association as the trade association for producers of primary aluminum, recyclers and semi-fabricated aluminum products as well as suppliers to the industry; Promotion of steel as a material of choice for the enhancement of competitiveness of the North American steel industry and its member companies by the American Iron and Steel Institute; Feature on the Copper Development Association as the advanced market development and technical services arm of the copper and brass industry in the United States; Formation of the Association of Steel Distributors in 1943 for the promotion of the role of independent distribution in the steel market.; (The publisher 2004)

Global Marketing Strategies

(A) Pricing Strategies

2.2.9

Relevance: Pricing impact on the production capacities

The article reports that Jamaica Alumina Co. (Jamalco)'s alumina output will remain at 50% of capacity until early November 2007, as the company's port facilities in New York are under renovation following the attack of the Hurricane Dean in late August 2007. The production disruption appears to have minimal impact on the spot alumina pricing; however, the founding of an alternative source of alumina by its customer Ormet Corp. has put pressure on prices.; (Editor and lead article Nov.2007)

2.2.10

Relevance: Pricing and demand patterns in global markets.

Discusses the value and increasing cost of *steel* for farm machinery and implement manufacturers. Unusual levy of prices at the time of delivery or delivery only at the market price in effect; Surcharges for all kinds of products that have metal in them with the possible increase in the added fees; Increase in demand for *steel* by China and other countries with current shortages of the raw material and a weak U.S. dollar as the complete recipe for higher *steel* prices.; (Muzzi 2004)

2.2.11

Relevance: *Cyclical patterns of prices in metal markets*

The article reports that the spot-market pricing index for domestic steel scrap market in the U.S. as of 2006 is declining. Market studies reveal that prices of industrial steel scrap dropped on October, and steelmakers are expecting reduced demand for their products. Nathan D. Frankel of Advanced Steel Recovery believes that there is a sluggish momentum in the market, and participants are uncertain where the market will be headed through the end of the year.; (Stundza Nov.2006)

2.2.12

Relevance: *Increase in alumina prices.*

The article announces the price increase in the entire specialty alumina product line for refractory, ceramic, and polishing applications of Almatiss. Such price raise will be effective for all contracts placed after September 15, 2007. Products include tabular alumina, calcined alumina, calcium aluminate cement, and spinels with an increase ranging from 13-20% on a global basis.; (News items in Almatiss Sept. 2007)

2.2.13

Relevance: *Prices and the effect of foreign exchange variations on the prices.*

The article reports that foreign-exchange issues will be on the agenda as European Union officials led by European Central Bank President Jean-Claude Trichet and European Commissioner Joaquin Alumina meet in Beijing, China for a European Union-China summit on November 28, 2007. Tension in Europe is rising over the euro's strength against the Chinese currency. While China has allowed the Yuan to strengthen against the U.S. dollar, the Yuan has weakened against the euro, making American products more competitive in China compared with goods from Europe.; (Wu, J.R, Michaels et al Nov.2007)

2.2.14

Relevance: *Price impact on globally on down stream products.*

The article presents an overview of the raw and manufactured materials available to the ceramic industry in 2008. The price increases of many materials in the U.S. are said to have favorable effects in the market, though overseas competition is still a concern. Potential production and demand for abrasives like aluminum oxide and silicon carbide, bauxite and alumina, boron, feldspar, clay, silica and zirconium are also discussed.; (Lead article Jan. 2008)

2.2.15

Relevance: *Alumina contract prices.*

This section offers news briefs related to the chemical industry. Caustic soda contracts for alumina producers settled at a record \$410/m.t. fob U.S. Gulf for the first half of this year, according to Kevin McCarthy, analyst at Bank of America. It is a \$73/m.t. increase over the contract price for the second half of 2007. Novapex is raising its price for

acetone by €60/m.t. in Europe, effective immediately. Cristal Global is increasing the price of all its titanium dioxide products by 6 cts/lb in North America and \$130/m.t. in Latin America.; (Market review article Jan. 2008)

2.2.16

Relevance: *global pricing strategies, global markets*

In business-to-business marketing, managers are often tasked with developing effective global pricing strategies for customers characterized by different cultures and different utilities for product attributes. The challenges of formulating international pricing schedules are especially evident in global markets for service offerings, where intensive customer contact, extensive customization requirements, and reliance on extrinsic cues for service quality make pricing particularly problematic. The purpose of this article is to develop and test a model of the antecedents of business customers' price elasticities of demand for services in an international setting. The article begins with a synthesis of the services, pricing, and global marketing literature streams and then identifies factors that account for differences in business customers' price elasticities for service offerings across customers in Asia Pacific, Europe, and North America. The findings indicate that price elasticities depend on service quality, service type, and level of service support and that horizontal segments do exist, which provides support for pricing strategies transcending national borders. The article concludes with a discussion of the managerial implications of these results for effective segmentation of global markets of services. (Bolton, et al, 2003)

2.2.17

Relevance: *pricing strategies, exporting manufacturers*

Changes in the global economy have made pricing strategy increasingly important for exporting manufacturers. However, relatively little empirical work exists on export pricing strategies to guide marketing managers. The authors use a firm's strategic orientations in export pricing to create firm typologies. They find that four clusters of firms differ across organisational, venture-related, export market, and performance variables. The findings suggest that managerial orientations in export pricing can be successfully used to group firms in how they approach pricing decisions. (Cavusgil, et al, 2003)

(B) Service Strategy

2.2.18

Relevance: *Globalisation approaches in retail marketing.*

Purpose - The internationalisation of large multinational retailers is well documented and much research attention has been given to their motives and strategies for expansion. Yet, no research in this field has specifically addressed the internationalisation of small- to medium-sized companies (SMEs) operating in the retail industry. The theoretical insights from the literature revealed important gaps in extant research, which relate to the barriers,

stimulants, drivers, facilitators, process, and market entry strategy of retail SME internationalisation. Design/methodology/approach - This paper aims to fill these gaps. Since the intention of this study was not to describe, but rather to build theory from an unexplored area of research, an in-depth case approach was deemed most appropriate. Therefore, the paper presents the findings from a number of case studies of SME retail internationalisation operating from the UK. Findings - Key findings from this study not only confirm that smaller British retailers have both the potential and capability to enter international markets successfully, but provides initial insights into how they overcome the constraints of size and establish an international market strategy. The findings from this study also offer insights into the SME sector of the retail industry in the UK in terms of their experience and adoption of government exporting programmes, and details the main implications for managers of small international firms. Originality/value - Although knowledge on SME retailer internationalisation, as it stands, is at a very early stage of development, this analysis of actual company activity in the UK retail industry provides important insights into a neglected area of international retail study and should help to develop the body of knowledge on SME internationalisation in general. [ABSTRACT FROM AUTHOR]; DOI: 10.1108/02651330610646287; (Hutchinson et al 2006)

(C) Entry Strategies

2.2.19

Relevance: *The first mover advantage in the global market.*

The Internet phenomenon of late has instigated a fresh surge of interest in the first-mover advantage theory and offers proof of its continued relevance today. Following a critical analysis of the first-mover advantage theory literature, theoretical and empirical inconsistencies are identified within the literature. A 'stalemate' position has arisen, where the question as to the optimal entry strategy remains, i.e. should a firm enter as a first-mover, bearing extra costs and risks to avail of first-mover advantages, or should it wait and enter when the market has developed and learn by the first-movers' mistakes, but in doing so sacrifice initial market share? The aim of this theoretical paper is to illustrate future direction for the first-mover literature in which it takes a fresh look at the first-mover theory, adopting a resource-based perspective. It is proposed that the broad theoretical base of the resource-based view of the firm will assist in gaining a deeper understanding of 'how' and 'why' first-movership has resulted in a sustainable competitive advantage or not. Two fundamental considerations in understanding the sustainability of a first-mover advantage will be dealt with, including the accumulation of resources by the first-mover on entering early to the market and the initial resources the first-mover brings to the market, relative to the quality of resources held by later entrants. Research propositions are outlined to assist in furthering research within the first-mover literature. [ABSTRACT FROM AUTHOR]; (Frawley et al 2005)

2.2.20

Relevance: *Entry strategies, foreign investment and restructuring strategies are crucial.*

Since the 1990s, Central and Eastern Europe (CEE) has provided unique societal quasi-experiments, which represent opportunities to test the applicability of existing theories in

international business and management studies and to develop new ones. Specifically, three lines of theorising have been advanced: (1) organisational economics theories; (2) resource-based theories; and (3) institutional theories. For each of these theories, we discuss how they contribute to the understanding of key issues, such as entry strategies of foreign investors, restructuring strategies of local incumbents, and entry and growth strategies of entrepreneurs. On this basis, we assess how CEE research has influenced the overall trajectories of theory development. CEE research has in particular highlighted the importance of contextual influences such as institutions. Thus, scholars have aimed at incorporating institutions into theories (such as organisational economics theories and resource based theories) and advancing an institution-based view of business strategy as a complementary perspective. We outline how future research in CEE and other emerging economies may advance this research agenda further. [ABSTRACT FROM AUTHOR]; DOI: 10.1057/palgrave.jibs.8400167; (Meyer, Klaus E. et al 2005)

2.2.21

Relevance: *Wrong entry strategies will harm the business*

The article focuses on the business losses incurred by Electrolux Kelvinator Ltd. in India. Electrolux AB, which sold refrigerators in India through a subsidiary, Electrolux Kelvinator, divested its local operations to Videocon, a large Indian industrial group with a strong presence in the domestic market for appliances. The roots of Electrolux Kelvinator's failure lay mainly in Electrolux's entry strategy of buying several Indian companies. Integrating the operations of these businesses proved to be time-consuming for management. Moreover, Electrolux's choice of partners was less than perfect; (Lead Article, Nov. 2005)

2.2.22

Relevance: *Direct and indirect exporting and direct investment as entry strategies*

The article presents the second article of a part-series about selling in an international market. Indirect exporting, direct exporting and direct investment are the three main entry strategies for entering the market. The decision on what strategies will be used will affect the success of the company in overseas markets; (Bishop et al, Feb. 2006)

2.2.23

Relevance: *Investments in new technologies*

After carefully evaluating a variety of mechanisms to leverage the world-class venture capital (VC) firms in the vicinity of Hewlett-Packard's Silicon Valley headquarters, Hewlett-Packard Labs and the venture capital firm Foundation Capital entered into a strategic relationship. This relationship focused on the unique needs of a large corporate research organization, and was not intended to replace or substitute for on-going relationships between HP's business organizations and the venture capital community. The relationship has enabled both firms to understand more clearly the fundamental differences in their two different innovation models, and it is suggested that other large central research labs could benefit from a similar relationship. HP Labs, for instance, has become more selective about investments in promising new technologies, and has been

able to propose more focused market entry strategies for several of its new technologies. There are also ways to achieve such benefits without actually establishing a formal relationship. [ABSTRACT FROM AUTHOR]; (Waites et al April 2006)

2.2.24

Relevance: *Global entry issues in corrupt environment*

With globalization and the growth in emerging economies, multinational enterprises (MNEs) now frequently confront challenges associated with corrupt governments. Already, a growing body of research has demonstrated that corruption significantly reduces a country's aggregate inflows of foreign direct investment through its effects on firm performance. We move the analysis of corruption from aggregate financial flows toward managerial theory and practice by examining how firms adjust their strategy for entering foreign markets in corrupt environments and how different types of corruption affect firms' choices. Building on institutional theory, we predict that MNEs will respond to pervasive and arbitrary corruption in a host country by selecting particular types of equity and non-equity modes of entry. Using data on 220 telecommunications development projects in 64 emerging economies, we find that firms adapt to the pressures of corruption via short-term contracting and entry into joint ventures. We also find that the arbitrariness surrounding corrupt transactions has a significant impact on firms' decisions, in addition to the overall level of corruption. In contrast to extant research, we show that MNEs use non-equity-entry modes or partnering as an adaptive strategy to participate in markets despite the presence of corruption. [ABSTRACT FROM AUTHOR]; (Uhlenbruck et al June 2006)

2.2.25

Relevance: *Multi manager for global entry strategy*

The article focuses on the interest of investment companies to offer multi-manager products in the Japanese market. SEI has opened a representative office in Tokyo to investigate a market entry strategy for a multi-manager product offering. Nomura is considering an institutional multi-manager offering under the name of Nomura Trust Bank. Consultant and researcher Russell is planning to launch multi-manager products to Japanese investors and has already expanded its original approach of multi-management in traditional asset classes. (Minhench et al ,May 2006)

2.2.26

Relevance: *How and why be the first mover in global markets?*

The Internet phenomenon of late has instigated a fresh surge of interest in the first-mover advantage theory and offers proof of its continued relevance today. Following a critical analysis of the first-mover advantage theory literature, theoretical and empirical inconsistencies are identified within the literature. A 'stalemate' position has arisen, where the question as to the optimal entry strategy remains, i.e. should a firm enter as a first-mover, bearing extra costs and risks to avail of first-mover advantages, or should it wait and enter when the market has developed and learn by the first movers' mistakes, but in doing so sacrifice initial market share? The aim of this theoretical paper is to illustrate

future direction for the first-mover literature in which it takes a fresh look at the first-mover theory, adopting a resource-based perspective. It is proposed that the broad theoretical base of the resource-based view of the firm will assist in gaining a deeper understanding of 'how' and 'why' first-mover ship has resulted in a sustainable competitive advantage or not. Two fundamental considerations in understanding the sustainability of a first-mover advantage will be dealt with, including the accumulation of resources by the first-mover on entering early to the market and the initial resources the first-mover brings to the market, relative to the quality of resources held by later entrants. Research propositions are outlined to assist in furthering research within the first-mover literature. [ABSTRACT FROM AUTHOR]; (Frawley et al, 2006)

2.2.27

Relevance: *Entry strategies in Hispanic countries*

The article provides information on bank marketing strategies made by Wells Fargo. While Wells Fargo has targeted Hispanics for many years, the bank in 1994 and 1995 decided to develop a cross-border initiative to capitalize on the significant and growing electronic money-transfer market. It saw major Mexican banks, including Banamex and Bancomer, pursuing the market, and given the size of the U.S. population. Wells Fargo decided to jump into the business. In approaching its market assessment, Wells Fargo started by looking at where the money-transfer business was relative to its product and where its own product had been since its launch.; (Soto et al, June 2006)

2.2.28

Relevance: *Entry mode as acquisition is used to access specific capabilities*

This paper investigates the case of market entry strategies following the introduction of a disruptive innovation. Recognizing that market entry strategies have been envisioned in the literature as a discrete phenomenon, we develop an empirical framework that portrays these strategies as a capability building process. Three organizational modes are integrated into our model: acquisition, alliance and market transaction. We compare the first two with the third and test the model in the setting of the online brokerage industry by using a sample of 897 moves made by 98 firms between 1994 and 2000. We suggest that firms' entry modes can be differentiated along factors specific to market timing as well as the degree of specificity of targeted capabilities. Our findings show that acquisitions are used to access specific capabilities. This means that external sources can be used when firms face a make- or- buy decision in the aftermath of technological change. Alliances appear to play a limited role while market transactions are widely used. By suggesting that entry into a new industry is not a discrete phenomenon, our research should open the avenue to additional inquiries on this topic. [ABSTRACT FROM AUTHOR]; DOI: 10.1080/13662710600684324; (Claude-Gaudillat et al, June 2006)

2.2.29

Relevance: *Innovation as global entry strategy*

The article focuses on how multinational companies in China are moving away from entry strategies and shifting their focus to execution. It states that expected staff shortages are resulting in a need for innovative approaches to recruiting and retaining executives. It mentions that recruitment will be a challenge for global companies as they move their focus beyond China's large cities. It comments on how China has targeted innovation as a national priority and how as a result some Chinese companies have become more creative in their industrial endeavors rather than merely absorbing ideas from foreign partners. (Grant et al , 2006)

2.2.30

Relevance: *Choices in market entry strategies*

The purpose of this study is to formalize the choice of market entry strategy for an individual multinational enterprise (MNE) from a dynamic perspective. It is argued that incorporating a suitable treatment of irreversibility, uncertainty and flexibility related to a MNEs investment decision gives further insights to the choice of cross-border acquisitions to Greenfield investment as the preferred entry mode. In most cases, the initial entry strategy serves as a platform allowing the firm to make subsequent investments to exploit host-country advantages and capabilities. We allow for this by taking a two-step expansion strategy explicitly into account. The evolutionary process of the value of the foreign direct investment includes two stochastic elements as well as the timing that triggers the transition from export to foreign direct investment. The results suggest that uncertainty and future investment opportunities play an important role when it comes to transit from export to the first phase of the foreign direct investment commitment as well as have an impact on the choice of entry strategy. [Copyright 2006 Elsevier]; DOI: 10.1016/j.qref.2004.06.005; (AN 21577771)

2.2.31

Relevance: *Global strategies based on environments*

The paper analyzes the strategies of software firms that have entered the open source (OS) field. The notion of the OS business model is discussed in the light of a substantial body of theoretical literature concerning strategic management and the economics of innovation, as well as specialized literature on OS. Empirical evidence based on a survey of 146 Italian software firms shows that firms have adapted to an environment dominated by incumbent standards by combining the offering of proprietary and OS software under different licensing schemes, thus choosing a hybrid business model. The paper examines the determinants of the degree of openness toward OS and discusses the stability of hybrid models in the evolution of the industry. [ABSTRACT FROM AUTHOR]; (AN 21517590)

2.2.32

Relevance: FDI as global entry strategy

Design-and-build delivery has become a significant alternative to the more traditional design-bid-build, though the level of its use varies from country to country. This research investigates the entry strategies of foreign contractors in China and their use of design-and-build, set against the country's evolving construction project procurement regulations and practice. Entry strategies are analyzed in two dimensions – entry modes and market targeting – and based on this a conceptual model of foreign contractors' entry strategy is presented, which proposes a focus on foreign direct investment (FDI) projects, on design-and-build capacity, and on collaboration with Chinese design institutes. [Copyright 2006 Elsevier]; DOI: 10.1016/j.ijproman.2006.01.001; (Xu Tianji et al , Jul. 2006)

2.2.33

Relevance: FDI failures and market entry strategies

This study emphasizes how firms respond in their foreign market entry strategy when observing FDI failures by other firms in the host market, and how causal ambiguity moderates this process, using a sample of market entries by 839 Japanese Multinationals in manufacturing sector in China over the period 1980-2000. [ABSTRACT FROM AUTHOR]; (Jing Yu Yang et al, 2006)

2.2.34

Relevance: Global market entry strategies and innovation

Innovation is one of the most important issues in business research today. It has been studied in many independent research traditions. Our understanding and study of innovation can benefit from all integrative review of these research traditions. In so doing, we identify 16 topics relevant to marketing science, which we classify under five research fields: • Consumer response to innovation, including attempts to measure consumer innovativeness, models of new product growth, and recent ideas on network externalities; • Organizations and innovation, which are increasingly important as product development becomes more complex and tools more effective but demanding; • Market entry strategies, which includes recent research on technology revolution, extensive marketing science research on strategies for entry, and issues of portfolio management; • Prescriptive techniques for product development processes, which have been transformed through global pressures, increasingly accurate customer input, Web-based communication for dispersed and global product design, and new tools for dealing with complexity over time and across product lines; • Defending against market entry and capturing the rewards of innovating, which includes extensive marketing science research on strategies of defense, managing through metrics, and rewards to entrants. For each topic, we summarize key concepts and highlight research challenges. For prescriptive research topics, we also review current thinking and applications. For descriptive topics, we review key findings. [ABSTRACT FROM AUTHOR]; (Hauser John et al, Dec.2006)

2.2.35

Relevance: Pricing strategy to enter in to a foreign market

Given that pricing plays an important role in a company's international competitive strategy, researchers have long argued the need for theory building in the area of international pricing. This study develops an optimal pricing strategy for foreign market entry using a game theoretic framework. The proposed model assumes two firms, a local incumbent and a foreign entrant, competing in a market. Consumers know the quality of the incumbent's offering, but do not know how it compares to that of the foreign entrant's. Based on these assumptions, and using the theory of inference making, we propose an upward price distortion by the entrant firm as an optimal entry strategy under incomplete information. The paper presents a game theoretic derivation to establish that the game has a unique intuitive separating equilibrium where the entrant firm stands to gain by engaging in upward price distortion to signal high quality to consumers. Copyright © 2006 John Wiley & Sons, Ltd. [ABSTRACT FROM AUTHOR]; DOI: 10.1002/mde.1297; (Kim et al, Dec.2006)

2.2.36

Relevance: Country risks and cultural distance

Purpose - Different theoretical approaches can be used to justify a positive or negative influence of country risk and cultural distance on the resources commitment level assumed in each decision to entering a new country. Before the disparity of results obtained in prior research, this study seeks to provide new empirical evidence about the influence that those two dimensions linked with the target country may exert on entry mode choice. Design/methodology/approach - Based on contingency approach, transaction cost economics, resource dependency perspective, bargaining power theory and organisational capabilities perspective, various alternative hypotheses are developed and tested using a sample of 471 entries performed by Spanish enterprises between 1999 and 2004. Findings - The findings indicate that both dimensions go in the same direction, as both greater target country risk and greater cultural distance reduce the likelihood of using higher-commitment entry strategies. Originality/value - The conflicting arguments are discussed which allow are to forecast that, in conditions of country risk or great cultural distance, both low- and high-commitment entry modes can be appropriate. [ABSTRACT FROM AUTHOR]; (Diago Quer et al, 2007)

2.2.37

Relevance: Internal joint ventures and direct investments

The purpose of this study is to formalize the optimal choice of market entry strategy for an individual multinational enterprise (MNE) from a dynamic perspective. It is argued that incorporating a suitable treatment of irreversibility, uncertainty and flexibility related to an MNE's investment decision gives further insights into the expansion, dissolution, and optimal timing of international joint ventures (IJVs). In most cases, the initial entry strategy serves as a platform allowing the firm to make subsequent investments to exploit host-country advantages and capabilities. We allow for this by taking a three-step expansion strategy explicitly into account. The evolutionary process of the value of the

foreign direct investment can be interpreted as a compound complex chooser option. The results suggest that uncertainty, size of equity share and future investment/divestment opportunities play an important role when it comes to transit from export to the first phase of the foreign direct investment commitment. The paper underscores the importance of modeling the dynamics of market entry and helps to refine the application of real options in the alliance context by providing a closed-form solution in continuous time to value the overall strategic flexibility. [Copyright 2007 Elsevier]; DOI: 10.1016/j.rfe.2006.07.005; Lukas et al, (Mar. 2007)

2.2.38

Relevance: The Entry Strategy of Retail Firms into Transition Economies

International entries into transition economies occur infrequently and involve considerable uncertainty. This raises the question whether managers, who have limited own experience, take their competitors' prior decisions into account when deciding on their own entry timing and size and whether there is value in doing so. To address these questions, the authors estimate a sequential hazard/Poisson regression model on the top 75 European grocery retailers' decisions to enter the Eastern European market. Indeed, firms pay close attention to prevailing practices in their industry. Prior entries first serve as legitimating but eventually become a deterring factor. Moreover, rather than just imitating the most popular or modal decision when determining the own entry timing and size, managers pay closer attention to the actions of their home competitors, react to prior entries of same-format competitors differently from those of different-format competitors, and adjust the observed industry practice for the specificity of their own resources. The authors show that managers are justified in taking the combined industry wisdom into account; deviations from prevailing industry practice, in terms of both timing and size, hurt the efficiency of their operations in subsequent years. Thus, attempts to develop own, distinct entry rules tend to be dysfunctional. Moreover, corrective actions are easier to implement along the size than along the time dimension; the detrimental effects of entering at a different time from the industry norm persist and even become amplified over time, whereas the negative impact of size deviations is temporary. [ABSTRACT FROM AUTHOR]; DOI: 10.1509/jmkg.71.2.196; (Gielens et al, April 2007)

2.2.39

Relevance: Choice of market as global entry strategy

One of the most important issues in the study of the internationalisation process is the choice of market entry strategy, which can be linked to the degree of international commitment. We have chosen to address this aspect in this paper by undertaking case studies of family firms, located in the province of Alicante (Spain), that belong to the most internationalised sectors in the region. The results obtained show that this group of firms follow the propositions laid down by the Uppsala model and that the age, size and generation of the family firm significantly influence the establishment of international, strategic alliances. [ABSTRACT FROM AUTHOR]; (Claver et al, Autumn 2007)

2.2.40

Relevance: *Foreign Market Entry Strategies under Asymmetric Information.*

A home firm signals her private cost information by expanding in a foreign firm's country. Credible signaling to deter counter-entry may occur through a direct investment (but not through exports), and may even entail entering an unprofitable market. While this produces social benefits, uninformative signaling may be welfare-reducing. Hence, we argue that moderate to high location costs may be socially desirable. We also show that there are not simple monotonic relationships between technology/demand conditions and firms' entry modes. Thus, the signaling interpretation of international expansion makes it possible to explain some controversial empirical findings on a theoretical ground. [ABSTRACT FROM AUTHOR]; DOI: 10.1111/j.1467-9396.2007.00681.x; (Natasi et al, Sept. 2007)

2.2.41

Relevance: *Joint ventures by purchasing minority positions*

The article focuses on the new knowledge sharing model of Telenor Mobile of Norway. When the Norwegian mobile market regime was liberalized in 1992, Telenor's initial entry strategy to the international market was to develop a series of international joint ventures by purchasing minority positions in other firms. A heterarchy is a new model of integrated network characterized by strong lateral links and interactions across sub-units. The Global Coordination strategy for knowledge transfer of Telenor is consists of two elements that are discussed.; (Ulset et al, Winter 2007)

2.2.42

Relevance: *Innovations as strategies.*

The article presents information about Innovation Showcase, an event held during International Congress and Exposition of the American Society of Mechanical Engineers (ASME) held in Seattle, Washington, in November 2007. Eight teams of young innovators from across the U.S. came and each team had eight minutes to address the need their product solved, the likelihood of success, the market niche they were considering, to show off a prototype, to talk about the competitive advantage of their product, along with their market-entry strategy, and to discuss their finances. The corporate sponsors of the event included International Business Machines Corp., Boeing, Schlumberger, Westinghouse, and Intellectual Ventures.; (Falcioni et al, Dec. 2007)

2.2.43

Relevance: *Entry strategies of Japanese companies*

This empirical study explores first the relationship between operating years and entry strategies based on wholly-owned and joint venture companies. Second, we examine the effects of equity ownership, size, entry strategy and subsidiary age on the sales growth ratio and the subsidiary's survival. Our findings show that in recent periods, the multinational companies (MNCs) prefer to acquire high levels of equity ownership, including full ownership subsidiaries, especially when the subsidiary is in the manufacturing

industry. Our results imply that capital, the age of the venture, the number of employees and full equity ownership affect survival. Finally, we find that subsidiaries with a small number of employees are likely to have a superior sales growth ratio and are more likely to survive. [ABSTRACT FROM AUTHOR]; (Rasouli Ghahroudi et al, Dec. 2007)

2.2.44

Relevance: *Foreign entry strategies in transition economies*

The rise and decline of foreign entry strategies in transition economies is an important yet largely overlooked issue in the literature. This study is a step toward filling this gap by examining how mimetic entry within reference groups and the emergence of a competing strategy affect the bandwagon phenomenon of a dominant strategy in the context of China, where international equity joint ventures (EJVs) used to be a dominant entry strategy among foreign firms in the 1990s. Findings from a sample of 1,123 EJVs formed in China's non-restricted industries from 1990 to 2003 show that the impact of home and host-country industry effects are not symmetric between the EJV rise and decline periods. Cross-border merger and acquisition (M&A) as a competing strategy has an important impact during the EJV decline period but not the rise period. The interactive effects between EJV and M&A strategies occur only in the host-country industries. We discuss such results and offer suggestions for future research. Copyright © 2007 John Wiley & Sons, Ltd. [ABSTRACT FROM AUTHOR]; (Xia Jun et al, Feb. 2008)

2.2.45

Relevance: *Global entry and host country related factors*

The increasing necessity to establish a permanent presence in overseas markets challenges the tradition of tide-like market entry mode of international contractors and confronts them with an important dichotomous selection between permanent entry mode and mobile entry mode. By borrowing theories and previous findings from the general international business area, the hypotheses regarding the influences of specific host country related factors upon the selection between the two generic entry modes, including cultural difference, trade link, host market potential, investment risk, institutional entry barrier and competition intensity are developed. Measures are proposed for these factors as well as some control variables and the dependent variable (entry mode). Data were collected from multiple sources for these variables. A binary logistic regression analysis was performed to test the hypotheses and develop a statistical model for entry mode selection. The model is statistically significant and not all the hypotheses are supported, confirming the uniqueness of the population of international contractors in market entry mode selection. [ABSTRACT FROM AUTHOR]; DOI: 10.1080/01446190701882382; (Chaun Chen, March 2008)

2.2.46

Relevance: *Global entry strategies; order, positioning and scope*

This research aims to analyze the relationships between three dimensions of the market entry strategy for new products – order, positioning and scope – and four dimensions of

performance – customer satisfaction, competitive position, costs and profitability. The consideration of internal links between the entry dimensions, together with their effect on the different performance variables, will enable us to determine the existence of mediating effects, which up until now have barely been examined in the literature. We test our model on a cross-sectional sample of 136 manufacturing firms, applying structural equation modeling based on the Partial Least Squares (PLS) methodology. Our findings reveal that all the three strategic decisions included in our model of market entry do affect performance, although their influence changes according to the performance dimension being measured. [Copyright 2008 Elsevier]; DOI: 10.1016/j.indmarman.2006.12.002; (Gutierrez-Cillan et al. April 2008)

2.2.47

Relevance: *Global entry strategies and beachheads*

In the contemporary highly competitive international business environment companies have to exercise great care in devising entry strategies for foreign markets. This article analyses the role of beachheads in international strategy and how it fits with the company's entry strategy. It also describes the characteristic of a desirable beachhead, and analyzes how firms expand beyond the initial entry position. Finally, an evaluation of what retaliatory action may be undertaken to prevent the establishment of such beachheads is presented. [ABSTRACT FROM AUTHOR]; (Mahon et al, Jun.1992)

2.2.48

Relevance: *Strategies to reduce risk of failures in international expansion of business*

This paper investigates effective strategies that can reduce the risk of failure in international expansion by examining the entry and survival of foreign subsidiaries in the U.S. computer and pharmaceutical industries over the 1974-89 period. Using a hazard rate model, we examine the effects of (1) diversification strategies, (2) Entry strategies, and (3) organizational learning and experience on the survival probabilities of foreign subsidiaries. The results show a higher exit rate for foreign acquisitions and joint ventures than for subsidiaries established through Greenfield investments. The results also indicate a higher exit rate for subsidiaries that diversify than for those that stay in the parent firm's main product areas. Finally, the results show that firms benefit from learning and experience in foreign operations, which improves the chances of success for subsequent foreign investments. These findings shed light on the dynamic process of international expansion and the evolution of the multinational corporation. [ABSTRACT FROM AUTHOR]; (Jiatao Li et al, Jun. 1995)

2.2.49

Relevance: *Importance of environmental analysis for global entry*

The article presents an abstract of a dissertation entitled "The Relationship Between Market Entry Strategy and Environmental Analysis in United States-Based Multinational Companies," by Emadene Bradley Travers. The study focused on the relationship between foreign market entry strategy and environmental analysis (EA) in U.S.-headquartered multinational companies. The moderating effects that marketing objective,

primary business activity, and level of a firm's foreign investment have on this relationship were also investigated. Five entry modes ranging from import/export transactions to the operation of a foreign subsidiary were selected for study. Environmental analysis refers to the amount, type, and sophistication of a firm's information acquisition procedures. Data consisted of the aggregate responses of top international executives to a thirty-eight-item mail questionnaire. Results indicate there is a positive relationship between market entry strategy and the expenditures of money, time, and personnel made by a firm in order to conduct international EA.; (Editorial 1996)

2.2.50

Relevance: Identifying trading partners in emerging markets

Examines the nature of the search process used by international firms in identifying trading partners in emerging markets, and to what extent systematic information collection on potential partners is likely to enhance the choice of satisfactory partners. The results, based on 46 Dutch companies, suggest that only a few companies have formal procedures to find trading partners and that they tend to depend on informal and personal contacts for information. A company's involvement in export/import activities and entry strategy was found to have a positive influence on the actual selection of satisfactory partners. This was also true for formalization of the search process, company size, a more extensive partner-evaluation and prior research experience with finding trading partners. Pro-activeness/breadth of search was not found to have a significant positive effect, and depth of search even happened to be negatively correlated with successful partner selection. Finally, the results did not support modeling searching for importing and exporting relationships separately. [ABSTRACT FROM AUTHOR]; (Nijssen et al, 1999)

2.2.51

Relevance : Entry strategies in to east European markets.

The article focuses on determinants of entry strategies of the U.S. companies to Russia, the Czech Republic, Hungary and Poland. As the Soviet bloc began to disintegrate in 1989, the newly democratized countries of Central and Eastern Europe and the USSR began to promote market economies and opened their gates to international companies. Soon, the U.S. companies began entering markets of the region in increasing numbers. Several descriptive studies of the entry strategies of the U.S. companies into these newly opened markets suggest increasing interest in doing business in the region and an increasing commitment to and presence in these markets. The present article is part of a large and ongoing research program. It provides a brief literature review and methodology and focuses on determinants of entry strategies to the region and their implications. More specifically, goals of the study are: to categorize the entry strategies of the U.S. companies into East European markets; to develop and test a model of determinants of entry strategies of the U.S. companies into the region; to develop and test a model of determinants of the satisfaction of the U.S. companies with their economic performance in the region; and to point out practical implications for the international executive.; (Shama et al, Dec.2000)

2.2.52

Relevance: *Cost efficient global entry strategies*

The identification of geographic target markets is critical to the success of companies that are expanding internationally. Country borders have traditionally been used to delineate such target markets, resulting in accessible segments and cost efficient entry strategies. However, at present such "countries-as-segments" strategies may no longer be valid. In response to the accelerating trend toward global market convergence and within-country fragmentation of consumer needs, cross-national consumer segmentation is increasingly used, in which consumers in different countries are grouped based on the similarities in their needs, ignoring the country borders. In this paper, we propose new methodology that helps to improve the identification of spatial segments by using information on the location of consumers. Our methodology identifies spatial segments based on consumer needs and at the same time uses spatial information at the sub-country level. We suggest that segments of consumers are likely to demonstrate spatial patterns and develop a hierarchical Bayes approach specifying several types of spatial dependence. Rather than assigning consumers to segments, we identify spatial segments consisting of predefined regions. We develop four models specifying different types of spatial dependence. Two models characterize situations of spatial independence and countries-as-segments, which represent existing approaches to international segmentation. The other two models accommodate spatial association within and spatial contiguity of segments and are new to the segmentation literature. The models account for within-segment heterogeneity in multi-attribute-based segmentation, covering numerous applications in response-based market segmentation. We show that the models can be estimated using Gibbs sampling, where for the spatial contiguity model, a rejection sampling procedure is proposed. We conduct an analysis of synthetic data to assess the performance of the most... [ABSTRACT FROM AUTHOR]; (Hofstede et al, Spring 2002)

2.2.53

Relevance: *Startup phase of partnership*

The article focuses on negotiating alliances in emerging markets. Big Emerging Markets (BEM) such as China, Brazil, Turkey, India and Mexico are increasing their importance in the global economic environment. In spite of this evidence, the literature of international business regarding non-developed markets tends to be very limited, although lately a few countries and regions such as China and Brazil or Mexico have been attracting the attention of academic studies. Emerging markets are expected to show a strong technology-driven growth at the start of the millennium. The article addresses the lack of understanding of how to manage the start-up phase of partnerships in the novel business environment. By integrating a synthetic model of FDI motivations and the extant literature weighting contributions from partners in alliances in BEM, a framework is derived. The framework aims to identify the main sticking points that might be expected in the initial negotiations of those alliances. Parallel to the importance of large markets of BEM in attracting investors, the increased use of alliances, as an entry strategy in new markets is noticeable.; DOI: 10.1002/tie.10050; (De Mottos et al, Dec. 2002)

2.2.54

Relevance: *Partner Identification Strategy for International Joint Venturing*

This paper clearly demarcates the boundaries of international joint venture (IJV) activity and identifies avenues for profitable deployment of corporate resources. Its objective is to analyse partner identification strategies in international joint venturing between Indian auto firms and their non-Indian partners. The results provide complementary partner objectives as critical decision factors sought by firms in the formation of IJVs. The paper reveals four distinct factors. The foreign partner looks for local resources, business strategy, financial resource and country business environment related issues from the Indian partner. The Indian partner looks for Long-term competency-competitiveness generation, international market entry strategy, MNC techno-managerial advantage and financial resource related advantages. This leads to a conceptual model, which is used to integrate the results. The paper suggests that IJVs are a new type of organizational form where inter-partner objective alignment and the complementary nature of objectives are pertinent. It also suggests that IJVs are a good means of entry in medium and long-term commitments. Continuous re-venturing of IJVs with dynamic objective re-alignments is always needed. [ABSTRACT FROM AUTHOR]; (Jain et al , June 2004)

2.2.55

Relevance: *Entry strategies into a foreign market*

FDI research has so far focused on firms' initial investment decisions into a foreign market, paying little attention to subsequent FDI expansion activities. This paper attempts to relate a firm's first entry strategies into a foreign market with its subsequent FDI expansion path in that market. Specifically, we look at the impacts of the timing, equity ownership, and the size of first entries on the probability and speed of making subsequent investments. A sample of Japanese investments in China seems to suggest two alternative paths of expansion: early entry with incremental growth or late entry but with fast expansion. [ABSTRACT FROM AUTHOR]; (Ruihua Joy Jiang et al, 2005)

2.2.56

Relevance: *SME sector entry*

Purpose - The internationalisation of large multinational retailers is well documented and much research attention has been given to their motives and strategies for expansion. Yet, no research in this field has specifically addressed the internationalisation of small- to medium-sized companies (SMEs) operating in the retail industry. The theoretical insights from the literature revealed important gaps in extant research, which relate to the barriers, stimulants, drivers, facilitators, process, and market entry strategy of retail SME internationalisation. **Design/methodology/approach** - This paper aims to fill these gaps. Since the intention of this study was not to describe, but rather to build theory from an unexplored area of research, an in-depth case approach was deemed most appropriate. Therefore, the paper presents the findings from a number of case studies of SME retail internationalisation operating from the UK. **Findings** - Key findings from this study not only confirm that smaller British retailers have both the potential and capability to enter international markets successfully, but provides initial insights into how they overcome

the constraints of size and establish an international market strategy. The findings from this study also offer insights into the SME sector of the retail industry in the UK in terms of their experience and adoption of government exporting programmes, and details the main implications for managers of small international firms. Originality/value - Although knowledge on SME retailer internationalisation, as it stands, is at a very early stage of development, this analysis of actual company activity in the UK retail industry provides important insights into a neglected area of international retail study and should help to develop the body of knowledge on SME internationalisation in general. [ABSTRACT FROM AUTHOR]; DOI: 10.1108/02651330610646287; (Hutchinson et al, 2006)

2.2.57

Relevance: *A world class company is not the same as an MNC*

The author noted that the globalisation of companies in emerging economies have to strong in the home market before entry to the global markets. The portion is best compared with what was happening when the us was globalised in the 19th and early 20th centuries. American companies had the luxury of an enormous growing domestic market. So many of them built world class companies by just being in America like Coca- Cola, General Motors, Ford, and Wal-Mart. Only then did they go overseas. Building world class company is not same as building a multi national company. Wal-Mart grew up in rural Arkansas, which is almost like a third world county. It is extremely important for companies to operate in demanding environments and learn. Also go to emerging market to get scale. Do not neglect domestic market team focus. If you do not consolidate your home base, you are vulnerable. (Krishna Palepu March 2008)

2.2.58

Relevance; *E-commerce in global marketing*

The article reports on the fifth anniversary of Rehoboth Beach, Delaware-based **Steel Marketing** Inc.'s electronic commerce Web site. The company has launched an auction site as part of the anniversary celebration. **Steel Marketing** President Ken Hensey comments on the resources available on the electronic commerce Web site.; (Burgert et al, Sept. 2006)

2.2.59

Relevance: *Chinese demand of metals*

The article considers the impact of China's increased demand for iron on iron producers and suppliers around the world. Iron is more like gold for investors these days as demand for **steel** is sending the price of this base metal on a meteoric rise. With Chinese steelmakers using all the iron they can get their hands on and demand strong in other growing economies, iron ore prices increased in 2005.; (Mauldin et al, April 2006)

2.2.60

Relevance: *Communication in global marketing*

Reports that the Steel Service Center Institute (SSCI) is launching several initiatives related to the marketing of steel. Efforts to improve communications with other steel trade associations; SSCI to define its own steel industry position; Remarks from SSCI Chairman Arnold Tenenbaum.; (Robertson et al May 2000)

2.2.61

Relevance : *Lean manufacturing and inventory practices*

The article offers news briefs related to long-term energy contracts in metals and other products in a supply chain in the U.S. High energy costs of these materials is not a reason for the Boston Logistics Group Inc. to give up on lean manufacturing and inventory practices. ADS Logistics LLC is planning to expand its transportation services by creating new brokerage division. Quadrem International Ltd. increase its 2006 revenue to 18 percent.; (Burgert et al March 2007)

2.2.62

Relevance: *Consolidation in the global markets*

The article reports that Russian aluminum and alumina producer United Co. Rusal agreed to acquire a 25%-plus-one share in OAO Norilsk Nickel from Onexim Group. The deal depends if majority shareholder Vladimir Potanin agrees to the offer. He had earlier rejected the \$125.7 billion offer to buy the said share. Potanin was reportedly approached by Onexim owner Mikhail Prokhorov in November 2007 for the offer.; (Najarian et al Nov.2007)

2.2.63

Relevance: *Capacity addition by Greenfield plant*

The article reports on Jindal South West Aluminium Ltd.'s efforts to keep local farmers in Andhra Pradesh informed before going ahead with civil construction on its proposed alumina site. Civil construction on the site has been planned to begin in April 2008. The company has acquired 380 acres of farmers' land after paying total compensation of \$7.6 million.; (Kumar Jha et al Feb 2008)

2.2.64

Relevance: *Global acquisitions to go near the resources*

The article reports on American aluminum company Alcoa's interest in acquiring Alumina, the Australian aluminum and alumina offshoot of former mining company WMC. It reveals that Alumina has been the subject of concerns that it was becoming increasingly reliant on debt to fund its growth commitments; (Industry Profile Feb. 2008)

2.2.65

Relevance: Improvements in production practices

This paper considers the difficulties associated with a production process that contains a sub-process that is not fully understood and for which data for many parameters are only able to be approximately obtained. The aluminium smelting industry epitomizes such a situation. Here, the critical sub-process that exemplifies these difficulties is the actual heart of the smelter, the electrolytic processing of alumina. This sub-process of aluminium production is at best 'fuzzy' and relies on the smelter operators to use their experience and tacit knowledge on a day-to-day basis, that is, the sub-process involves 'alchemy'. In this paper, this is referred to as the tacit knowledge problem. The impact of such sub-processes on production is significant and the development of a methodology that will lead to a reduced reliance on uncertain alchemy associated with them, highly beneficial. The role of Communities of Practice in finding a solution to the tacit knowledge problem is discussed together with its integration into a mixed-mode model for the determination of best practice production for the smelter. [ABSTRACT FROM AUTHOR]; DOI: 10.1057/palgrave.jors.2602320; (M.G.; Cargill et al, Jan. 2008)

2.2.66

Relevance: Government interventions for development

The article reports that three major international companies have submitted bids for the alumina refinery and aluminium smelter at Sandi Mining Company's (Maaden) Ras al-Zour complex in Saudi Arabia. The project is a key part of the Saudi government's drive towards economic diversification. The bidders for the engineering, procurement and construction management contract for the 720,000 tonne-a-year (t/y) smelter are understood to be Canada's SNC Lavalin and Bechtel of the U.S.; (Industry Profile, Feb. 2008)

2.2.67

Relevance: Policy reforms by government to boost aluminium

The article presents information on the Guinean economy. The country is rich with mineral resources such as bauxite, iron ore and diamond. There are several barriers to large-scale investment projects in Guinea including poorly developed infrastructure and rampant corruption. Particular focus is given to bauxite mining and alumina operations in the country. Policy reforms were implemented by the Guinean government in a bid to boost commercial activity in the private sector, promote investment and reduce the role of the state in the economy. (News item, March 2008)

2.2.68

Relevance: New capacity additions

The article reports on Vedanta Alumina's move to start operations at its mining project in Orissa's Niyamgiri Hills to feed its alumina factory in Lanjigarh, Orissa, India. The smelter is being fed through bauxite transported from Gujarat, the lignite-rich state on the west coast, which is proving a costlier option for the company. Vedanta Alumina is

targeting the operation on the Niyamgiri line to start by April 2008.; (Article on current issues, Dec.2007)

2.2.69

Relevance: *Eco- friendly measures made as social responsibility*

The article reports on Alcor Technology and Alfa Laval's development of M2M-Technology, a novel, patented combination of well-known process and equipment technologies which reduce residues by typically eight percent and increase alumina recovery by four percent. The technology also provides a capital payback period of just one year. The article discusses the key features of the M2M-Technology.; (Industry Profile, Dec. 2007)

2.2.70

Relevance: *Technology leadership*

The article focuses on Aughinish Alumina, one of the assets of United Company Rusal's alumina division. The Aughirst alumina refinery in the west of Ireland became part of the UC Rusal in March 2007. The refinery receives bauxite ore from Guinea and Brazil. It has expanded its output and production since start up. Rusal sees the company as a leader in technology which can be transferred to its other refineries. (Industry News, Dec.2007)

2.2.71

Relevance: *New manufacturing plants near bauxite resources*

The article reports on the partnership between PT Aneka Tambang (Antam) and Russian mining firm UC RUSAL company for the conduction of feasibility study for the construction of an aluminum smelting facility in Tayan, West Kalimantan, Indonesia. Antam president director Deddy Aditua Sumanegara expresses that the plant costs \$1.5 billion and capable to produce 1-1.2 million metric tons per year (mt/y). The company also collaborates with two Japanese firms in the construction of the same plant costing \$220 million that could produce 300,000 mt/y. Furthermore, it is estimated that the area has a reserve of 100 million tons of bauxite.; (Editorial Oct. 2007)

2.2.72

Relevance: *Brown field expansions for global growth*

The article reports on the approval of Rio Tinto PLC with a \$1.8-billion plan to increase output at its Yarwun alumina refinery in Gladstone, Queensland, by two million tonnes to 3.4 million tonnes a year by 2011. According to Tom Albanese, chief executive officer (CEO) of Rio Tinto, the expansion is one of the most significant investment made by the company in years.; (News Item, Sept. 2007)

2.2.73

Relevance: *Capacity building for global markets*

The article reports on the completion of the bid of Hindalco Industries to own Utkal Alumina, a joint venture it had with Alcan. Hindalco Industries is a flagship of the Aditya

Birla Group. Alcan is the technology provider to Utkal Alumina and other Hindalco alumina projects. Alcan is being targeted for acquisition by Rio Tinto.; (Industry Profile, Oct. 2007)

2.2.74

Relevance: *Removing non-core businesses*

The article reports that aluminum producer Alcoa has agreed to sell its packaging and consumer business to Graeme Hart's Rank Group Ltd. for \$2.7 billion. Alcoa decided to sell the business to focus on its more profitable core metals business. Alcoa's packaging and consumer business includes Reynolds wrap. (News Item, Feb. 2008)

2.2.75

Relevance: *Use of global cheaper resources to meet global competition*

The article reports on National Aluminium Co. Ltd.'s signing of a preliminary memorandum of understanding with the Indonesian government for a \$3.2 project to build an aluminum smelter and power plant on Sumatra. The Indian state-run company is also exploring the possibilities of having plants in Saudi Arabia, South Africa and Iran.; (Industry profile, Feb. 2008)

2.2.76

Relevance: *Development of industry standards*

The article reports on the Chinese National Development and Reform Commission's publication of China's first Access Standards for the aluminum industry. The move is part of the country's efforts to accelerate the industry's structural readjustment, prevent investment overheating and ensure the industry meets the central government's energy saving and pollutant reduction targets.; (Editorial, Feb. 2008)

2.2.77

Relevance: *Growth by acquisitions*

The article reports on developments concerning Aluminum Corp. of China's (Chalco) purchase of Lanzhou Liancheng Aluminium from its parent Chinalco. According to Chalco, the purchase is expected to receive all necessary approvals within the first six months of 2008. The article reveals that the transaction is being reviewed by various interested parties.; (News, Feb. 2008)

2.2.78

Relevance: *Removal of non-core businesses*

The article reports on Corus and Aluminium Acquisition Co. Ltd.'s (ALAC) signing of a non-binding Letter of Intent for the proposed acquisition of Corus' aluminum smelters by an affiliate of ALAC. It reveals that internal consultation and advice processes have already commenced. The article also discusses the sale of Corus' downstream aluminum extrusions and rolling business to Aleris in August 2006.; (Lead Article, Feb 2008)

2.2.79

Relevance: Development of new business areas

The article reports on Chinalco's plan to set up a joint venture with titanium plant with Aricom PLC in the province of Heilongjiang in the northeast of China. The joint venture is part of Chinalco's plans for greater metals diversification. The State-Owned Assets Supervision and Administration Commission has approved Chinalco's aims to engage in mining and processing of other metals.; (Industry Profile, Feb 2008)

2.2.80

Relevance: Process developments and improve productivity

This paper considers the difficulties associated with a production process that contains a sub-process that is not fully understood and for which data for many parameters are only able to be approximately obtained. The aluminium smelting industry epitomizes such a situation. Here, the critical sub-process that exemplifies these difficulties is the actual heart of the smelter, the electrolytic processing of alumina. This sub-process of aluminium production is at best 'fuzzy' and relies on the smelter operators to use their experience and tacit knowledge on a day-to-day basis, that is, the sub-process involves 'alchemy'. In this paper, this is referred to as the tacit knowledge problem. The impact of such sub-processes on production is significant and the development of a methodology that will lead to a reduced reliance on uncertain alchemy associated with them, highly beneficial. The role of Communities of Practice in finding a solution to the tacit knowledge problem is discussed together with its integration into a mixed-mode model for the determination of best practice production for the smelter. [ABSTRACT FROM AUTHOR]; DOI: 10.1057/palgrave.jors.2602320; (Nicholls et al, Jan. 2008)

2.2.81

Relevance: Global investments

The article deals with the reopening of the Aluminium Smelter Company of Nigeria plant in January 2008. The reopening is made possible by an investment by Russia's United Company (Rusal), the world's largest aluminium producer. Rusal bought a 77.5% stake in the plant in February 2007 for \$250 million, after a two-year privatisation process overseen by the government of President Olusegun Obasanjo. The government has retained a 15% share in the venture, while the remaining 7.5% equity has been bought by Ferrostaal AG of Germany. (Lead Article, Jan. 2008)

2.2.82

Relevance: Acquiring state of technology and continuous modernization

It is the objective of this paper to explain the driving forces of and barriers to technology diffusion in the metal industries with application to the German aluminium smelting industry. The developed economic model concentrates solely on the process of modernising existing smelters because in Germany, due to the unfavourable production conditions for primary aluminium (high labour and power tariffs) the construction of new smelters is not a realistic option. The scenario calculations show the great significance of

different factors, such as technological potential or the prices of main inputs, in particular electricity, on technology diffusion in the metal industries. They predict a further reduction in the average level of specific power consumption because of the ongoing process of plant modernisation and the closing down of smaller, less competitive smelters. The optimisation of pot control and the implementation of wettable cathodes seem to be the most attractive modernisation options for the future. Furthermore, the calculations clarify the particular situation of energy-intensive industries in regions with comparably high energy prices and the ensuing problems for environmental policy strategies. On the one hand, there is already a huge incentive to implement energy-saving technologies. On the other hand, the comparably high electricity tariffs endanger the continued existence of smelters. A further worsening of production conditions could easily lead to a closing down of smelters and to a loss of employment and value added. [Copyright 2008 Elsevier]; DOI: 10.1016/j.jclepro.2007.10.024; (Schwarz, H.-G , Jan. 2008)

2.2.83

Relevance: Proper project financing

The article reports on the introduction of new terms and conditions to project finance deals by Gulf Cooperation Council banks. Project finance bankers in the region expect every deal coming to the market in the first half of 2008 to have additional conditions attached known as market flex. Among the deals set to enter the market are Yemen's liquefied natural gas project (LNG), an aluminium project in Bahrain and the expansion of Emirates Steel and Qatar Petroleum's plan to raise about \$2.5 billion for the Ras Laffan C power plant.; (Martin, Jan. 2008)

2.2.84

Relevance: Modernising the manufacturing facilities

The article reports on Rio Tinto PLC's £45 million investment for its aluminum smelting plant in Scotland. It claims that the money will secure the projected modernization of the 60-megawatt Lochaber plant. It likewise adds that four turbo-generators would be installed at the plant to improve energy efficiency.; (News Item, Feb.2008)

2.2.85

Relevance: E-commerce environment studies

This article examines the e-commerce environment in Taiwan with respect to the People's Republic of China (PRC), then analyses market-specific entry barriers, and categorizes entry strategies of different companies in the cross-strait area. After observing sixteen early entrants, we report three major findings: 1) Maturity of the Taiwan e-commerce market is superior to that of mainland China, especially its progress in business environment and government policies, 2) Perceived market entry barriers affect entry strategy adoption, and 3) Most firms adopt B2B models and form alliances to reduce investment risks and capture growing markets in the cross-strait area. [ABSTRACT FROM AUTHOR]; (Industry Profile, Mar. 2007)

2.2.86

Relevance: Evaluation of foreign markets

This article examines several marketing considerations when tapping the international market. Evaluation of a foreign market is extremely difficult. In addition, there are two basic factors which prevent marketing-conscious U.S. executives from making objective assessments of a foreign market. First, the majority of international investments are traditionally made in economies characterized by severe shortage. Under these conditions, little need is felt for market forecasting or planning. Second, many U.S. executives are not completely free from prejudice about foreign markets. There is often an implicit assumption that since the company is familiar with marketing problems, its experience is readily transferable to another market. Basically, there are three routes--export, licensing, and direct investments--to enter a foreign market. Obviously there is no one best route under any conditions. There is, however, a perceptibly inflexible attitude toward devising an appropriate entry strategy to meet the particular requirements of the market under consideration.; (Yoshino, 1965)

2.2. 87

Relevance: Progress in international marketing

Fundamental changes taking place in the global business environment and in the business enterprise itself compel international marketing scholars to reexamine the progress being made by the field's scholars in developing knowledge. In this article, the authors critically evaluate progress in international marketing as a field of study through ontological, thematic, and methodological lenses. They also offer a portfolio of research topics that they believe are worthy of scholarly attention. (Cavusgil, et al, 2005)

2.2. 88

Relevance: global marketing program-related factors, their drivers, their performance consequences.

As the era of globalization continues to manifest through the emergence of global companies, the use of marketing programs in these firms has become increasingly important. This research examines global marketing program-related factors, their drivers, and their performance consequences. The global marketing program, as the authors conceptualize it, consists of three key factors: global marketing strategy, global marketing structure, and global marketing processes. The authors develop and test an empirical model to portray the application of the global marketing program factors with respect to product standardization and product processes. As such, global customer convergence and leadership's global orientation have significant, positive effects on global product standardization and global marketing structure. The authors find that global product standardization and global marketing structure drive the implementation of global product processes, which are positively related to marketing performance. (Townsend, Janell D, et al)

2.2. 89

Relevance: *globalisation on the consumer, drivers of, and barriers to, globalisation*

The processes of globalisation have been active for longer than popular consciousness appears to acknowledge. Definitions of globalisation range from the narrow economic to the broad social. From the marketing perspective the social approach is preferred, as it reflects the impact of globalisation on the consumer by considering the drivers of, and barriers to, globalisation. These drivers and barriers are discussed, before linking global marketing and globalisation. The brand helps to define this relationship and, not surprisingly, it is the brand which is the focus for much of the violent protest against globalisation. In these protests marketing can be viewed as less than virtuous, but there can be another side to this perception. It is suggested that the consumer has the potential to influence the development of globalisation in the 21st century. If this happens then marketing could look very virtuous indeed. (McAuley, et al, 2004)

2.2. 90

Relevance: *High service responsiveness, overall satisfaction*

When firms' customers are located in geographically dispersed areas, it can be difficult to manage service quality because its relative importance is likely to vary spatially. This article shows how addressing such spatial aspects of satisfaction data can improve management's ability to implement programs aimed at enhancing service quality. Specifically, managers can identify areas of high service responsiveness, that is, areas in which overall satisfaction is low but customers are highly responsive to improvements in service quality. The authors estimate the spatial patterns using geographically weighted regression, a technique that accounts for spatial dependence in the variables. They apply this methodology to a large national sample of automobile customers served by a network of dealerships across the United States. The authors also investigate the extent to which factors related to the physical and psychological landscape explain the importance that people in different regions place on dealership service and vehicle quality. (Mittal, et al. 2004)

2.2. 91

Relevance: *development of effective e-commerce strategies*

The article discusses a survey among South African small wood furniture producers (SWFPs) on issues related to electronic commerce (e-commerce). Excluding government transactions, approximately 90 percent of global e-commerce is conducted among businesses. Increasingly, international wood furniture buyers are using the Internet to transform the way they do business and by which they collaborate with trading partners. In particular, many of them are using the Internet to trade online and to develop close knowledge-based links with suppliers. E-commerce technologies are, in turn, becoming increasingly important for South African SWFPs as they are integrated into global value chains and are exposed to more sophisticated markets. SWFPs are likely to benefit from low cost access to the global marketplace, which previously was only open to major companies with a global marketing and distribution infrastructure. The development of

effective e-commerce strategies thus is of critical importance for increasing SWFPs' competitiveness in global markets. (Moodley, et al)

2.2. 92

Relevance: global marketing strategy

Despite the strong interest in global marketing, there is no consensus in the literature about what constitutes a global marketing strategy and whether it affects a firm's global market performance. The authors develop a broad conceptualization of global marketing strategy, the GMS, that integrates three major perspectives--namely, the standardization, configuration-coordination, and integration perspectives--of global marketing strategy. They also develop a conceptual model that links the GMS to a firm's global market performance. On the basis of a survey of business units competing in global industries, the authors find support for the broad GMS perspective and the fundamental relationship between the GMS and firms' global market performance. The authors also discuss theoretical and managerial implications of their findings. (Shaoming Zou, et al)

2.2. 93

Relevance: pricing strategies, standardization, customer characteristics, legal environment, economic conditions

In response to certain important gaps identified in the global marketing literature, the focus of this inquiry is an investigation of the pricing strategies followed by manufacturing subsidiaries of multinational corporations. Specifically, the authors attempt to identify the factors that play an important role in determining the degree of international pricing strategy standardization. The findings suggest that the extent to which multinationals standardize their international pricing strategies depends on the level of similarity between home and host countries in terms of customer characteristics, legal environment, economic conditions, and stage of the product life cycle. The authors highlight implications of the findings for business practitioners and discuss future research directions along with the limitations of the study. (Theodosiou, et al, 2001)

2.2. 94

Relevance: global strategy, existing product offerings and marketing

In the increasingly global environment, a fundamental question for many firms is whether to create a global strategy that will allow for the maximum use of existing product offerings and marketing activities through standardization, or to what extent unique adjustments are required for success in a given local market. The purpose of this study is to compare sixteen product attributes, across three product categories (convenience, shopping, and specialty), and the importance placed on these global attributes by consumers in a developed market (France) versus an emerging market (Malaysia) in their product evaluations. The results indicate that two of the studied product attributes (product quality and appearance) can be standardized in global marketing strategies. The relevance of the other fourteen attributes is based on international market contingencies. (Hult G, et al, 2000)

2.2. 95

Relevance: *analyse the processes of globalization, social and political impacts*

Despite the unprecedented nature of the transitions in Eastern Europe since 1989, scholars of international political economy have done little to analyse the processes of globalization and social transformation that they represent. Post-socialist countries provide rich sites for advancing researchers' knowledge of the global market process and its social and political impacts. This article focuses on the gender aspects of globalization. It argues that the marketing of gender distinctions in globalized culture industries and consumer advertising has had indelible effects on capitalist market expansion in Eastern Europe. Re-inscribing gender identities and desires is a sound multinational corporate strategy for maximizing profits and increasing consumption in this region. But the interplay between the local and the global is not straightforward. A case study of the Czech Republic, in particular of Czech Harlequin and Cosmopolitan magazine, shows how this global marketing is contested in the post-socialist context. In the aftermath of communism, new norms of gender relations, ostensibly exports from the west, enable the extension of markets and commodification, while also empowering women as individuals and consumers. (True, et al, 1999)

2.2. 96

Relevance: *global marketing strategists*

The country marking displayed by a product repeatedly has been found to affect consumer product evaluations. This study provides a detailed examination of the 'tests of transformation' statutes, which form the international basis for determination of country marking. Four major legal tests (name, character, and use; essence; value-added; and article of commerce) are presented, and practical examples are provided to illustrate their strategic uses. Finally, strategic guidelines are provided for global marketing strategists for obtaining appropriate country markings. (Clarke III, et al, 1999)

2.2. 97

Relevance: *formulation of marketing strategy and its implementation*

The article discusses the effect various situations have on a managers' formulation of his marketing strategy and its implementation. In these cases, designing a global marketing mix becomes quite meaningless, since there is no longer an average consumer. Consequently companies should develop a strategy for each client. As this is very costly both in human and in financial resources, it is critical to determine which client deserves this treatment (key client) and how to manage the relationship. In this article the author outlines a methodology to identify key clients. Next, she gives a related analysis which considers some relationship variables. The aim is to help the selling firm to identify the marketing team which should face each of its key clients. A case study is then described with the objective of showing how to use this analysis to reach the two main strategies which firms facing a concentrated demand pursue: defend its position with regard to present clients and develop new ones. The author concludes by suggesting that a relationship manager should be identified and given the responsibility of the management

of the relationship, that is, the selection of who should be part of the marketing team and the definition and assignment of their tasks. (Pels, et al, 1992)

2.2.98

Relevance: *capacity utilization, global standardization*

The authors address a key controversy in the marketing literature about the suitability of global standardization. An empirical investigation of the differences between firms that emphasize global standardization and others that use less standardization was conducted within the global industry context. The results indicate that market coverage and capacity utilization are important considerations for firms emphasizing global standardization. Emphasis on specialty products and the development of high priced products for market niches are also of some importance to these firms. However, in the critical area of performance, no difference is observed between firms stressing global standardization and others. (Samiee, et al, 1992)

2.2.99

Relevance: *standardisation of the marketing mix*

The purpose of this analysis is not to advocate global marketing on the basis of the standardisation of the marketing mix around the world -- both are unrealistic anyway. Nor does this article argue that US views of international marketing are the correct ones. While most of the thinking about the distinction between domestic and international marketing has been of US origin because of the American fixation with a huge and affluent domestic market surrounded by a periphery of smaller "foreign" markets, references will also be made to European and Japanese views which have proved to be equally or even more realistic and effective at various times. (Perry, et al, 1990)

2.2.100

Relevance: *marketing-mix standardization, Segmentation*

Marketing-mix standardisation is important when marketing is considered as a global concept. As an aid for enterprises taking the decision as to whether or not global marketing can support their company in working out competitive advantages, this article offers an analytical framework. The first step in the analysis is concerned with whether marketing-mix standardisation is important for the branch or the market of the company in question. This step is oriented to strategic factors of success. The aim of the second step in the analysis is to find out the ways in which marketing-mix standardisation can be practised by one specific company. Segmentation as a concept is useful in this context when considered in relation to standardization. (Kreutzer, et al, 1988)

Global Branding

2.2.101

Relevance: *brand equity*

Brands represent the most valuable asset that many firms possess, and the associated brand equity is usually the result of years of development efforts. Yet many brands are

becoming increasingly threatened by the worldwide phenomenon of brand counterfeiting, whereby imitations of the brand are sold to unwary consumers as the original. Counterfeits are known to flourish especially in developing countries that have weak legal infrastructures and corruptible public officials. What can a company do in the face of this threat? The authors summarize the literature that addresses this issue and provide an in-depth description of how one company addressed the threat of counterfeits in a lucrative developing market. The case illustrates the lengths companies may need to go to respond to counterfeits and raises many issues in relation to these actions. (Green, et al, 2002)

2.2.102

Relevance: *country-of-origin affects, brand names*

This article presents a research on how the country-of-origin affects consumers' perceptions and buying decisions. The objective of this paper is threefold: to investigate the effects of three countries of origin, three brand names and three levels of price and service on consumers' perceptions of the purchase value of an automobile in two consuming countries, namely Canada and Belgium; to estimate the main effects of the cues, the interaction effects between the cues and between the cues and consuming countries; and to discuss the implications of the results for domestic and global marketing management. Summarily, the results indicate that the effect of price on perceptions of purchase value is not very important. Also, brand name is a more important informational cue than made-in for Belgian consumers, but not for Canadian consumers. These findings show the value to global marketers of carrying out large-scale studies using samples from different countries where a global product is marketed. These studies can give producers relevant information concerning whether or not it makes sense to manufacture products in poor-image countries, just to be able to make use of low-cost labor, and what types of modification to global marketing strategies may be needed from one consuming country to another. They can also indicate which consuming countries would be most appropriate for launching new products as well as hint on what might be the most appropriate branding, pricing and service strategies to adopt. (Ahmed, et al, 1993)

Global Branding

2.2.103

Relevance: *Branding the city on the metal.*

Editorial. Comments on the branding of Pittsburgh as the *Steel* City in Pennsylvania. Launch of a regional branding campaign; Metaphor for the economic development of the city; Importance of strategic *marketing* to the *steel* industry.; (Balcerek et al Dec.2002)

2.2. 104

Relevance: *Money saving alternatives.*

Focuses on the interest of investors on precious metals. Experience of David S. Robinson; Factors influencing metal prices; Failure of value to keep pace with stocks;

Swindlers in the marketplace; Consideration for money-saving alternatives.; (Burns et al July 1995)

2.2. 105

Relevance: *Production of engineered products.*

The article reports that Rio Tinto Alcan's worldwide operations have given Rio Tinto the top global ranking in bauxite and aluminum production. It reveals that Rio Tinto has a number of projects in place for the group to also become the global leader in alumina. Rio Tinto Alcan operates 120 facilities for the production of engineered products.; (editorials, Dec. 2007)

2.2. 106

Relevance: *Expansion of global capacities.*

The article reports on the acquisition by Dubai International Capital LLDC (DIC) of Almatris in January 2008. DIC will reportedly allow Almatris to continue its successful growth strategy, expand its global capacity and provide its customers with high performance alumina specialties worldwide. Almatris is formerly owned by Rhône Capital and Ontario Teachers Pension Plan.; (Industry news, Jan. 2008)

2.2. 107

Relevance: *Investments in mining.*

The article reflects on the effects of 2007 Hurricane Dean on the economy of Jamaica. It is stated that major pressure on inflation will remain because of shortages in agricultural produce struggling to meet demand as reconstruction in Jamaica continues. An overview of Jamaica's non-fuel commodity export industry, including alumina and bauxite exports is offered. The authors suggest greater economic diversification and heavy investment in mining, tourism and infrastructure.; (Lead article, Jan 2008)

2.2. 108

Relevance: Liabilities of foreignness

Purpose - The purpose of this study is to examine how liability of foreignness (LOF) influences multinational enterprises (MNEs) market entry strategy. Design/methodology/approach - Building on the extant literature, this paper examines the influence of LOF on four PVINE market entry strategies (i.e. market-seeking, resource-seeking, competitive advantage and control-orientation) in a sample of 3,085 Sino-foreign joint ventures formed in manufacturing sectors in China. Findings - The findings indicate that LOF influences market entry strategies selected by MNEs. Specifically, MNEs from low LOF countries adopt resource-seeking strategies and strategies to utilize their competitive advantages in labor-intensive industries more than MNEs from high LOF countries, while investors from high LOF countries adopt market-seeking and control-oriented strategies to a greater degree than MNEs from low LOF countries. Originality/value - This study provides new theoretical insights into LOF for academics as well as suggests the need for managers to explicitly incorporate LOF into market entry

strategy decisions. [ABSTRACT FROM AUTHOR]; DOI: 10.1108/02651330610712148; (Haiyang Chen et al, 2006)

2.2. 109

Relevance: *ownership strategies for global growth.*

When hotel firms expand internationally, they must determine the ownership strategy and the management strategy that will best maintain the firm's competitive advantage. Those decisions are made separately from each other and depend on the expanding company's own strengths and the strengths found in the local market. That interplay between the company's strengths and local resources drives the type of partnership or affiliation arrangement that the company uses to enter the foreign market. The decision regarding who controls management and marketing, for instance, depends to a large extent on whether the expanding company can rely on local interests to maintain the firm's customer service standards. If the firm does not use customer service as a competitive advantage, it can make more use of third-party interests to operate the hotel. If the hotel facility is itself a point of competitive advantage, the decision on the extent of equity investment by the firm rests on whether local interests have sufficient resources to build and maintain the property. [ABSTRACT FROM AUTHOR]; DOI: 10.1177/0010880406294472; (Dev et al, Feb 2007)

Global Relationships

2.2.110

Relevance: *Global transformations. Politics, economics and culture*

Globalization has contributed to the dismantling of national boundaries, which have enabled firms to compete and conduct business on a wider scale [Held, D., McGrew, A., Goldblatt, D., & Perraton, J. (1999). *Global transformations. Politics, economics and culture*. Cambridge: Polity Press]. Firms can move freely between different markets using Internet-based technology. While access to such markets can provide firms with greater choice of suppliers and cost efficiencies, they need to be aware of challenges that can influence their business performance. With this in mind, we examine how these factors influenced Alcoa Alumina's drive to a global procurement platform through a global marketplace. The staged adoption process experienced at Alcoa Alumina offers a learning opportunity for other firms considering the transition to global marketplace. [Copyright 2007 Elsevier]; DOI: 10.1016/j.ijinfomgt.2007.08.005; (AN 27370623)

2.2.111

Relevance: *Impact of economy*

The article presents information on the Surinamese economy. The country's economy has been dominated by the exports of alumina, oil and gold. Other products being exported include bananas, shrimp and fish, rice and lumber. The country has also attracted the attention of international companies interested in extensive development of a tropical hardwoods industry and possible diamond mining. (AN 28743337)

2.2.112

Relevance: *Growth of metal industry*

The article presents some notable transactions in the steel industry that occurred during 2007. According to the headlines in 2007, merger and acquisition activity dominated Rusal's consolidation with SUAL and Glencore International AG enabled it to become the world's leading supplier of aluminum and alumina.; (Triplett et al Jan 2008)

2.2.113

Relevance: *Manufacture of co products*

The article reports that bauxite mining corporation Alcoa is spending thirty million U.S. dollars on a feasibility study for the construction of a refinery in Guinea to transform bauxite into alumina cement. The project involves Canadian mining corporation Alcan as partner. The Alcoa refinery promises to add 1.5 million tonnes to the annual production of alumina cement in Guinea. Other mining corporations such as UC Rusal are looking to expand industrial capacity as well. Foreign mining corporations express confidence that Guinea's political instability would not be a hindrance to alumina production.; (editorial Sept. 2007)

2.2.114

Relevance: *Development of natural resources.*

The article reports on the opening of the Eurasian Natural Resources Corp.'s Kazakhstan Aluminium Smelter, the first state-of-the-art aluminum smelter in Kazakhstan. It reveals that the facility in Pavlodar is a key element of a significant future aluminum cluster being developed by the Eurasian Natural Resources Corp.; (news item Feb 2008)

2.2.115

Relevance: *Economic and political influences.*

Economic activity slowed through the first quarter of 2007, reflecting tight macroeconomic policies and the maturing of major aluminium-related investment projects. However, it revived subsequently as expansionary policy measures in the run-up to the general election in May rekindled demand and inflation pressures at a time when tensions and imbalances in the economy remained substantial. The further tightening of the monetary stance in the autumn should cool down the economy gradually in the period ahead. But the economy remains vulnerable to changes in foreign investor sentiment, especially in the context of fragile global financial-market conditions. Consequently, the key challenge for policy in the near term is to restore macroeconomic stability by ensuring that steady progress is made in unwinding both internal and external imbalances. In addition, with a view to sustaining Iceland's favourable growth performance, steps need to be taken to strengthen the ability of both monetary and fiscal policy to moderate macroeconomic volatility and prevent the re-emergence of such imbalances. In a longer-term perspective, a key challenge for policymakers is health-care reform. Although the overall fiscal position is better than in many other OECD countries, health care (which is largely government-funded) is a major source of public spending

pressures. Health outcomes are very good, but there appears to be room for enhancing cost-effectiveness. [ABSTRACT FROM AUTHOR]; (lead article , Feb 2008)

2.2.116

Relevance: *Use of global natural resources*

The article reports that the municipality of Chongqing has been called China's Chicago as the government sees it to become a key strategic link between the east and west of the country. It stated that the authorities have high hopes on Chongqing being able to act as a gateway to the underdeveloped west, encouraging more balanced development and multi-polar growth within the country. Furthermore, the province is rich in natural resources, including iron, aluminium, coal and natural gas.; (Industry profile, Feb 2008)

2.2.117

Relevance: *successful relationships*

The authors explore how a global firm's ability to foster successful relationships between its foreign subsidiaries' and headquarters' marketing operations can enhance the performance of products across markets. The results show that cooperative behaviors are positively associated with product performance in the subsidiaries' markets. National culture in the foreign markets is also found to moderate the effect of trust on relational behaviors. In addition, the subsidiaries' acquiescence becomes increasingly important as the firm attempts to standardize marketing programs. (Hewett, et al, 2001)

2.2.118

Relevance: *international human capital, global learning and global marketing*

The major aim of this study is to investigate the relationships among international human capital (input-based international human capital, transformational, output-based, and competency of top management team), global initiatives (global learning and global marketing) and financial performance. The open systems view is introduced to develop a comprehensive measurement of international human capital, the human capital that enables a firm to compete globally. The structural equation modeling technique is then employed to investigate the proposed relationships. The results support authors' expectation that international human capital is positively associated with a firm's global initiatives and financial performance. The importance of the role of top management team competency is identified because it is positively associated with the other three international human capital components. It also indirectly fosters a firm's financial performance and global initiatives through its positive association with input-based, transformational, and output-based international human capital. (Ling, et al, 2006)

2.2.119

Relevance: *country of origin effects on product evaluations*

The authors examine the extent to which cultural orientation influences country of origin effects on product evaluations in two countries (Japan and the United States). Subjects were given attribute information about a mountain bike made in either Japan or the

United States. The target product was described as either superior or inferior to competition. Respondents in Japan evaluated the product that originated in the home country (versus foreign country) more favorably regardless of product superiority. In contrast, respondents in the United States evaluated the product that originated in the home country more favorably only when the product was superior to competition. The authors explain these findings on the basis of the cultural psychological principles of individualism and collectivism. Specifically, the authors show that the vertical dimension of individualism and collectivism explains country of origin effects. The authors also discuss implications for global marketing strategies featuring country of origin (Gürhan-Canli, et al)

2.2.120

Relevance: origins of global marketing, export rejection

Business, management, workers and governments are responding to global imperatives. These imperatives include marketing The origins of global marketing lie in exporting Presents and analyses data relating to small businesses in Australia which currently export or which plan to export. Thirty-five per cent of small businesses which consider it feasible to export have no plans to do so. The reasons for this export rejection are analysed Other critical factors such as motivation to export; source of expert advice; and problems experienced with developing export markets are also reported and analysed. Provides recommendations as to how to increase the participation rate of small business in the growing global economy.(Graham, et al, 1999)

2.2.121

Relevance: forming relationships, joint ventures

A mechanism for rapidly developing presence in the global marketplace is through forming relationships with other organisations in different countries. These joint ventures or strategic alliances have a number of benefits that accrue to the various partners in the relationship. The difficulty is how to manage these relationships effectively across cultures and differing organisational/management philosophies. What is recommended is the development of a virtual management perspective and five different types of virtual relationships are examined. (Speier, et al, 1998)

Global Marketing Ethics and social responsibility

2.2.122

Relevance: ethics and social responsibility

One might reasonably wonder why well-educated, professionally trained managers, who work for companies with international reputations, might take decisions that risk provoking censure by the world business community. Is it just the result of the "profit motive" run rampant? Is it merely the "ugly face of capitalism?" Or are there other reasons that might explain the apparent willingness of western managers to run the risk of jeopardizing the health and well-being of consumers in the developing world? This article

discusses these questions by framing the issues in the context of ethics and social responsibility in global marketing. Of particular interest here is the "opportunity" for managers to become involved in dubious ethical decisions and practices when marketing potentially harmful products to consumers in Less Developed Countries. In order to portray the ethical implications of marketing potentially harmful products to vulnerable consumers abroad, a new descriptive model is presented that identifies relationships between the manager, the global company, its home market environment, a host market environment, the global business environment, and a target consumer. (Amine, et al, 1996)

2.2.123

Relevance: *Government controls over industries.*

The article reports that Russia's Federal Antimonopoly Service (FAS) granted clearance for Rusal Ltd., the world's largest aluminium and alumina producer, to acquire a 25% plus one share interest in MMC Norilsk Nickel from Onexim Group on January 31, 2008. Rusal has received commitments from ABN Amro, BNP Paribas SA, Credit Suisse, and Merrill Lynch to provide a credit facility to finance the cash component for the Onexim deal.; (industry profile, Feb 2008)

2.2.124

Relevance: *Job creation and industrial development.*

This article talks about Saudi Arabia's Vision 2020 strategy for industrial development, with focus on the country's high-profile initiative to promote the expansion of the kingdom's steel and aluminium sectors that will reduce its reliance on oil exports. The author points out that in promoting industrial growth, especially through its aluminium sector, the Saudi government has to balance the long-term benefits of job creation and social development with the economic feasibility and attractiveness of these industrial projects to foreign investors.; (Corbett et al, Feb 2008)

From the above exhaustive literature survey, the researcher had understood the following:

- (a) No work in the field of International Marketing of Alumina and Aluminium has been endeavoured domestically and internationally. This motivated the researcher in furthering the study in this field.
- (b) The above literature suggests the researcher the relevance, importance along with the constraints in global marketing that a firm has to terrain when endeavoring international marketing.
- (c) All the literature review has aligned with the objectives framed to be covered in this study.

Chapter 3

RESEARCH METHODOLOGY

- 3.1 The problem in Indian Aluminium sector
- 3.2 The objective of research
- 3.3 Hypothesis of the study
- 3.4 Research design
 - 3.4.1 Research instrument
 - 3.4.2 Scale of refinement and validation
 - 3.4.3 Reliability and validity
- 3.5 Sampling procedure
 - 3.5.1 Development procedure
 - 3.5.2 Demographic information of the customer (sample profile)
- 3.6 Method of analysis
 - 3.6.1 Frequency and cross table analysis
 - 3.6.2 Rationale for using the frequency and cross table analysis
- 3.7 Statistical analysis
 - 3.7.1 Frequency table and bar chart and pie chart
 - 3.7.2 Cross tabulation
 - 3.7.3 Hypotheses testing
- 3.8 Limitations of the study

CHAPTER - 3

RESEARCH METHODOLOGY

3.1 The problem in Global Marketing of Indian aluminium products

The sector is growing at a pace of 8% per annum. The consumption in India is considerably lower. There is surplus aluminium product in the country. The global marketing is continuing. The benefits of the marketing may not be on expected lines. The factors that prohibit optimal gains are many fold. The quality, the logistics, timely deliveries, technology, global market knowledge and global marketing efforts are needed to make the Indian aluminium industry competitive in the global markets.

Out of four major players one player is a Public Sector Enterprise. The decisions are not unified and directed. The global marketing strategies are not flexible and market oriented.

London metal price fluctuations and geographical distance to the customers bring the pricing and pricing related issues to fore. Marketing to 0 countries which are spread across China, South East and West Asia, Europe and Russia highlight the 4P marketing. The metal markets and in particular the noble metals and aluminium are medium of investments for some adds to new dimension.

3.2 The objective of research

- 1) To study the government policies and the corporate strategies adopted by the aluminium industry.
- 2) To ascertain the competition situation of the aluminium industry and the competitive strategies adopted by the organisations in global markets.
- 3) To study the customer preferences in global markets.
- 4) To study the promotional methods adopted by the industry in global markets.
- 5) To develop future plans of the industry for gaining competitive edge over the other countries.

3.3 Hypothesis of the study

- a. i) There is no marked difference in the attributes preferred for global marketing based on existing business dealing countries.
ii) There is a marked difference in the attributes preferred for global marketing based on existing business dealing countries.
- b. i) There is no marked difference in major marketing strategy chosen based on existing business dealing countries.
ii) There is a marked difference in major marketing strategy chosen based on existing business dealing countries.

- c. i) There is no marked difference in promotional methods adopted based on annual growth rate in global marketing.
 ii) There is a marked difference in promotional methods adopted based on annual growth rate in global marketing.
- d. i) There is no marked difference in the methods used to derive competitive advantage based on major marketing strategy.
 ii) There is a marked difference in the methods used to derive competitive advantage based on major marketing strategy.
- e. i) There is no marked difference in the promotional method suggested based on new business development countries.
 ii) There is a marked difference in the promotional method suggested based on new business development countries.
- f. i) There is no marked difference in quality standard adopted based on the attribute insisted by the customer.
 ii) There is a marked difference in quality standard adopted based on the attribute insisted by the customer.
- g. i) There is no marked difference in quality standard adopted based on vital products the company manufactures.
 ii) There is a marked difference in quality standard adopted based on vital products the company manufactures.

3.4 Research Design

3.4.1 Research Instrument

Primary Data: First hand information was obtained from the respondents through structured questionnaire. This questionnaire consisted of questions having mix of open as well as closed ended questions. Further, an interview schedule was constructed to elicit information from the respondents. The researcher chose an interview schedule since the respondent has to be reminded to answer the questions put forth in the questionnaire. The interview was also conducted because the researcher had a stringent requirement for the data to be pure and in all senses comprehend the very spirit of the questionnaire. Further the researcher could also clarify any doubts to the respondent and explain the objective of each question when ever the respondent raised clarification.

Researcher had to construct two sets of questionnaires. The first set was used for enabling the profiling of the large aluminium industry in India and second set was used to elicit information pertaining to the study. The first set was administered to the manufacturers; while the second set was distributed across all strata of respondents, the strata decided by the size, number of years in business and the position of the respondent in the organisations . The copies of the questionnaires are placed as Appendices III and

IV. The questionnaire was constructed and each section concentrated on a particular aspect of the industry. The questions were both open ended and close ended. In close ended, questions consisted of dichotomous, multiple choice and rating scales, to elicit his association with the question posed. The questions also include investigative type wherein multiple choices have been given to the respondents. The investigation questions have given the foundation for creating the research data.

Secondary Data: The sources for secondary information was from published annual reports of five aluminium producers in the country namely, Hindalco, Nalco, Balco, Indal and Malco, data from London Metal Exchange, Indian Aluminium Association, and studies published in various trade journals and conducted by various other organisations.

Sampling Plan: The researcher developed his research plan taking the respondents who had the requisite knowledge of the aluminium industry. The sample size was sufficiently large to eliminate any element of bias. Further, selection method adopted has been discussed in the following pages.

Parameters of Study and Conceptual Relationships: The main focus of the researcher to the study is to understand the attitude and preparedness of the manufacturers to meet the global marketing challenges and their commitment to explore markets outside India. The title of the project will neatly fit into International Marketing and preparedness of Indian alumina and primary Aluminium to Global Marketing Challenges, hence aptly can be conceptualised as a Marketing Study.

The study deals in intermediary product namely, Aluminas and unwrought (pig) aluminium in the form of billets, ingots only. The study excludes value added products of aluminium metal like sheets, castings, wires, foils, extrusions, alloys etc. The first year of the tenth planning (2003-04) is the base year of this exploratory study.

3.4.2 Scale of refinement and validation

The questions in the questionnaires were refined. The characteristics of a good measurement are that the tool should be an accurate indicator of what the researcher is interested in measuring. In addition the tool should be easy and efficient. The criteria for evaluation of a measurement tool are validity, reliability and practicality.

- Validity: means that we are measuring what we want to measure. There are a number of types of validity including:
 - Face Validity - whether at face value, the questions appear to be measuring the construct. This is largely a “common-sense” assessment, but also relies on knowledge of the way people respond to survey questions and common pitfalls in questionnaire design;
 - Content Validity - whether all important aspects of the construct are covered. Clear definitions of the construct and its components come in useful here;
 - Criterion Validity/Predictive Validity - whether scores on the questionnaire successfully predict a specific criterion.
 - Concurrent Validity - whether results of a new questionnaire are consistent with results of established measures.

- Reliability: Implies the consistency or repeatability of the measure. This is especially important if the measure is to be used on an on-going basis to detect change. There are several forms of reliability, including:
 - Test-retest reliability - whether repeating the test/questionnaire under the same conditions produces the same results; and
 - Reliability within a scale - that all the questions designed to measure a particular trait are indeed measuring the same trait.
- Practicality: Concerned with various factors, such as level of respondents, convenience, interpretability.

The validity of scientific measurement is ensured by making the data precise. The internal validity is ensured by the researcher by making the questionnaire to get data what it is supported to measure.

3.4.3 Reliability and validity

Validity of the questionnaire was very important to this survey. The questionnaire was administered on a sub-sample to assess the following validity – Face, Content, Criterion and Concurrent. On the ensuing discussion with the sub-sample and the analysis of the questionnaire, the researcher had modified the questionnaire to resolve the issues raised and understood from discussions and analysis from the pilot study, to bring in greater clarity and precision. Thus the measure of validity was ensured.

The aspect of reliability was also ensured, by giving the questionnaire to the same respondents in the sub sample at different points in time. The closeness of the open ended questions and the repeated choice of the same alternative had ensured the questionnaire's reliability of its application and ensuring the eliciting of adequate data for analysis.

3.4.4 Internal Consistency Reliability, for multiple item scales

The researcher computes the most commonly used type for internal consistency, reliability-Cronbach's coefficient alpha. This measure indicates the consistency of a multiple item scale. Alpha is typically used when several Likert type items that are summed to make a composite score or summated scale. Alpha is based on the mean or average correlation of each item in the scale with every other item. Alpha is widely used since it provides a measure of reliability that can be obtained from one testing session or one administration of a questionnaire.

3.4.4.a. Cronbach's Reliability Statistics for General Questionnaire – Long Term Economic Policies of the Government

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
.739	.740	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
How Central Govt. Policies affect the marketing efforts of the products	9.07	4.882	.683	.513	.598
How State Govt. Policies affect the marketing efforts of the products	9.36	5.189	.455	.312	.727
How Govt. Taxes and Tarrifs affect the marketing efforts of the products	9.09	4.356	.720	.553	.560
How Long Term Economic Policies affect the marketing efforts of the products	8.96	6.134	.313	.173	.791

Scale Statistics

Mean	Variance	Std. Deviation	N of Items
12.16	8.407	2.899	4

Inference:

The reliability test conducted by the researcher with respect to the effect of long term economic policies of the Government, the reliability achieved by the questionnaire is 0.739 (as depicted by Cronbach's Alpha) in table above. The Cronbach's Alpha of 0.6 and above is a reasonable reliable measure of the questionnaire. In the Item Total Statistics above, the corrected item – total correlation is significantly moderately high with other items, thus making a good component of this summated rating scale.

3.4.4.b. Cronbach's Reliability Statistics for Prime Producers Questionnaire – Government Policies affecting Aluminium Industry

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No of Items
.672	.686	4

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
How Government Policies affect new projects in Aluminium Industry	8.25	4.250	.800	.	.294
How Government Policies affect export in Aluminium Industry	8.00	8.667	.237	.	.721
How Government Policies affect Production Activities in Aluminium Industry	8.50	5.667	.951	.	.309
How Government Policies affect Enhancement of Usage in Aluminium Industry	9.00	8.667	.090	.	.837

Scale Statistics

Mean	Variance	Std. Deviation	No of Items
11.25	10.917	3.304	4

Inference:

The reliability test conducted by the researcher with respect to the influence of Government policies on Aluminium Industry, the reliability achieved by the questionnaire is 0.672 (as depicted by Cronbach's Alpha) in table above. The Cronbach's Alpha of 0.6 and above is a reasonable reliable measure of the questionnaire. In the Item Total Statistics above, the corrected item – total correlation is significantly moderately high with other items, thus making a good component of this summated rating scale.

3.5 Sampling Procedure

3.5.1 Development Procedure

The researcher developed his research plan based on a snow ball sampling method, in the sense, all companies whose production collectively amounted to more than 75% of the total primary metal production in India, were included as respondents. Three companies, namely National Aluminium, Hindustan Aluminium and Madras Aluminium qualified as the candidate for being a respondent, for answering the profiling questionnaire. With respect to the general questionnaire, the researcher adopted a snow

ball sampling technique, which helped the researcher to identify the respondent who possessed the requisite knowledge to answer the general questionnaire.

Snow ball Sampling

The universe of knowledgeable persons in the industry was checked from Aluminium Association of India by discussions. As no written data is available on the subject, there are about 207 knowledgeable officers who know global marketing of alumina and aluminium metal. The names of the knowledgeable people who know aluminium global business were collected from aluminium association and further cross checked by discussions with the senior officers of the exporting companies.

Stratified Random Sampling

Stratified random sampling was adopted to cover all important sections of the industry for the study of the industrial product specially the aluminium export, being the theme of the study. Randomness in the universe of 207 numbers and choosing to 52 in total and going as per each category was achieved by 207 numbers of chits and picking the paper chits at random. The method adopted is considered appropriate for getting the requisite responses for the questionnaire framed. Unless the researcher understands the universe and its classification, he could not have developed the procedure for stratifying the sample selection from the universe.

The summary of the sampling adopted are:

Sl. No.	Industry segment	Total no. of persons available with knowledge (universe)	Sample chosen at random Nos.	No of Cos.	Replies received
1	Primary produces	124	31	3	26
2	Alloy makers	8	2	1	1
3	Extruders	12	3	2	2
4	Sheet producers	12	3	2	3
5	Foil producers	8	2	1	2
6	Forging producers	4	1	-	-
7	Casting producers	8	2	1	2
8	Electrical cables	9	2	2	2
9	Channel players	10	3	2	3
10	Experts in the field/ End users	12	3	-	2
		207	52 questionnaires sent	14	43

The sample size of 52 (fairly a large sample to provide a normal distribution) out of 14 companies qualified to be the respondent to this survey, based on stratified random sampling criteria set in by the researcher to eliminate the bias. This sampling plan enabled the researcher to cover all the players for the general questionnaire enabling the

researcher to achieve the objectivity of studying the Indian Aluminium Industry holistically.

3.5.2 Demographic information of the respondents (sample profile)

- Managers at different levels in aluminium manufacturing irrespective of the disciplines. The managers in different development and location in India.
- Managers in other aluminium companies like, casting, extrusion, forging, fabrication, packing, building and construction, exporters and the like who are users of aluminium products in different forms.
- Small industry owned and partners who use these products.
- Marketers and exporters of aluminium products.
- End users of the products.

3.6 Method of analysis

3.6.1 Frequency and cross table analysis

In the first phase of response analysis, the 43 numbers of responses received were collated, studied and tabulated. The statistical analysis of each of the question in the questionnaire was made with the help of a computer programme. The responses were tabulated in frequency tables. In case of multiple choice questions, the frequency of each response to each attribute was taken into account. Here the valid total choices will be more. Based on the frequencies a graph showing the frequency and options in question was drawn. Inferences were made which represented the opinion of the respondents. The details are given in sub chapter 4.1

In the second phase of analysis, cross tables were made to bring in the relationship aspects between different parameters and find percentage of responses. The attributes are:

- Customer satisfaction and ownership type
- Mode of communication and ownership type
- Major marketing strategies and ownership type
- Future mission and position of respondent
- Influence of Government policies and position of respondent
- Influence of taxes and tariffs and position of respondent
- Effect of long term economic policies and position of respondent
- Products and attributes required for global presence
- Countries now dealing and attributes required for global presence
- Marketing and attributes required for global presence
- Major marketing strategies and number of years the organisation is in business
- Major marketing strategies and annual turnover
- Major marketing strategies and products produced
- Major marketing strategies and level of competition in local market
- Major marketing strategies and in existing dealing countries
- Ownership type and branding
- Product and branding
- Mission of company and branding attitude

- Drive competitive advantage and branding attitude
- Future mission and growth in global marketing
- Future mission and new business development overseas
- Existing business countries and method to get competitive advantage
- Value additions tried and products for global marketing
- Quality standards adopted for global marketing
- Value attributes which the global customer insists in the products
- Promotional methods and annual growth rates in global marketing
- Promotional methods and existing overseas customers
- Promotional methods and new business development

After getting the response analysis in the above cross table, the inferences were drawn in each case based on percentage of responses. These are detailed in sub chapter 4.2.

In phase three, detailed in sub chapter 4.3, the ten hypotheses were tested by Chi-Square testing. The results were recorded after each test.

3.6.2 Rationale for using the frequency and cross table analysis

Frequency table is a simple device for arranging data. It gives data by assigned numerical value with columns for percent, valid percent adjusting for missing data and cumulative percents. The other co-ordinate will be the response variable. The data is presented in tabular format and by pie chart or a bar chart. The values and percentages are more easily understood in this graphic format. In graphs by visualisation the relative positions are appreciated. This simple technique is used by the researcher.

Cross tabulation is a technique for comparing data from two or more categorical variables. Cross tabulation is used with demographic variables and target study of the variable with operationalised measurement questions. Cross tables will have rows and columns showing to the level of variables. Each cell count of the cases of joint classification of rows and column percentages and total percentages are noted. This technique is used by the researcher in this study.

3.7 Statistical Analysis

3.7.1 Frequency table and bar chart and pie chart.

The sample device of frequency table is used for arranging data collection from the responses is assigned numerical values and commutative percentage is noted. The frequencies are plotted on a pie chart or bar chart. The values and percentage are more readily understood in this graphics format. The relative values also can be appreciating.

3.7.2 Cross Tabulation

The management questions in the designed questioners give valuable insight by examining the data with cross tabulation. Cross tabulation is technique for comparing data from two or more categorical valuables such as product quality and global marketing. The technique used tables having rows and column that correspond to the replies given by the respondents for each variable.

3.7.3 Hypotheses Testing

The researcher detailed hypotheses in his preliminary analysis pulling the purpose of hypotheses testing is to determining the accuracy of hypotheses the testing is and due to fact that the researcher has collected a sample data and not a census the testing is done by null hypotheses method it is a statement that no defect exist between the parameter of census and measurement of the population. The researcher has tested for each of the 10 hypotheses and alternative hypotheses.

The One-Way ANOVA compares the mean of one or more groups based on one independent variable (or factor) and Pearson test for correlation were conducted for validation.

3.8 Limitations of the Study

- 1) The foremost limitation is the geographical scatterings of the respondents from whom the data needs to be collected.
- 2) Since majority of the respondents identified for this survey where from top management and middle management cadres of 14 companies. Getting their time for the survey was indeed a limitation.
- 3) The limitation is also the number of respondents who had the requisite knowledge on all the aspects of the industry and in particular in global marketing of the product.
- 4) Yet another limitation is the number of large channel players (the marketing channels) in this industry.

Chapter 4

DATA ANALYSIS

- 4.1 Frequency analysis
- 4.2 Data analysis and inferences
- 4.3 Cross table for variables

CHAPTER - 4

DATA ANALYSIS

4.1 Frequency Analysis

The researcher developed two set of questionnaires one for selected sample population. This questionnaire copy and the forwarding letter are appended at Appendix III. The second questionnaire was developed for the manufacturers of primary alumina and aluminium metal with a view to collect data from the manufacturers. The questionnaire is placed at Appendix IV. The questions were designed keeping in view the research objective in mind. The content of the questions dictated by the investigative questions guiding the study while selecting question content case was taken.

- Does the question match the study objective ?
- Is the question of proper scope and coverage ?
- Can the participant answer the question asked ?
- Will the participant willingly answer the questions ?

As a trial the questionnaire were served to check if it gets responses or if the question wording are clearly understood. After this the questionnaires were finalised. The next important aspect was the response strategy. The researcher chose open ended and closed questions based on the factor:

- Participant's level of information about the topic
- Degree to which participant thinks about the topic
- Communication ease
- Motivation from participant to share the information.

The questionnaire included 4 types of questions:

- 1) Free response or open ended questions

Example: What value additions you expect for the alumina products

- 2) Dichotomous questions

Example: Do you have a long range written marketing policy ?

☐ Yes ☐ No

- 3) Multiple choice, single response questions

Example: What incentives you offer to your bulk and regular buyers ?

- | | |
|--|--|
| <input type="checkbox"/> Price discount | <input type="checkbox"/> Better payment terms |
| <input type="checkbox"/> Better service | <input type="checkbox"/> Better commercial terms |
| <input type="checkbox"/> Timely deliveries | <input type="checkbox"/> Any other |
| | <input type="checkbox"/> None |

CHAPTER - 4

DATA ANALYSIS

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| <input type="checkbox"/> Better service | <input type="checkbox"/> Better commercial terms |
| <input type="checkbox"/> Timely deliveries | <input type="checkbox"/> Any other |
| | <input type="checkbox"/> None |

- 4) Ranking questions wherein the participant ranks his views on a scale of 1 to 5
Example: Cost reduction techniques employed in your company by increasing processing / production efficiency.

1 – Less important

to

5 – Most important

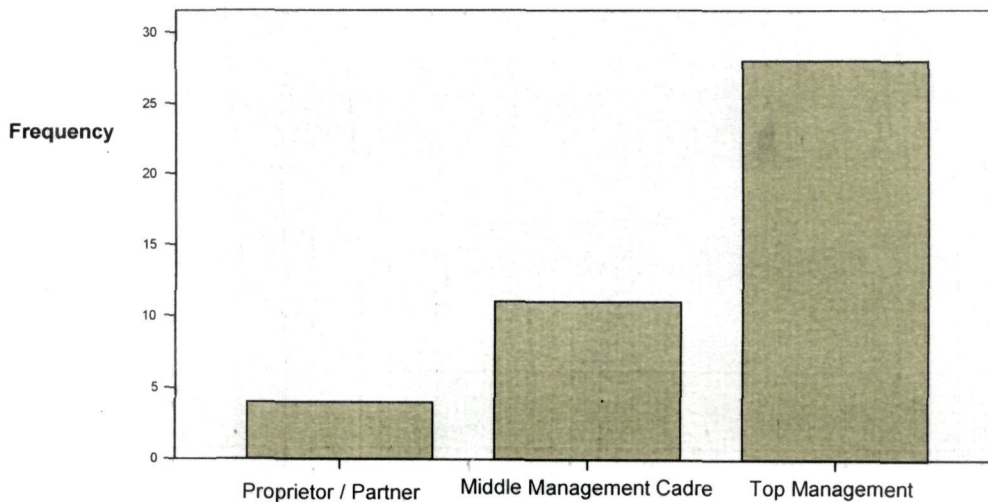
The closed questions gave the participants a fixed set of choices. Open ended questions do not limit the responses and only provide frame of reference to the participants. Proper planning of questionnaire helps in getting a large number of responses.

4.2 Data Analysis and Inferences

Table 4.2.1 - Position of the Respondent

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Proprietor / Partner	4	9.3	9.3	9.3
	Middle Management Cadre	11	25.6	25.6	34.9
	Top Management	28	65.1	65.1	100.0
	Total	43	100.0	100.0	

Position of the Respondent



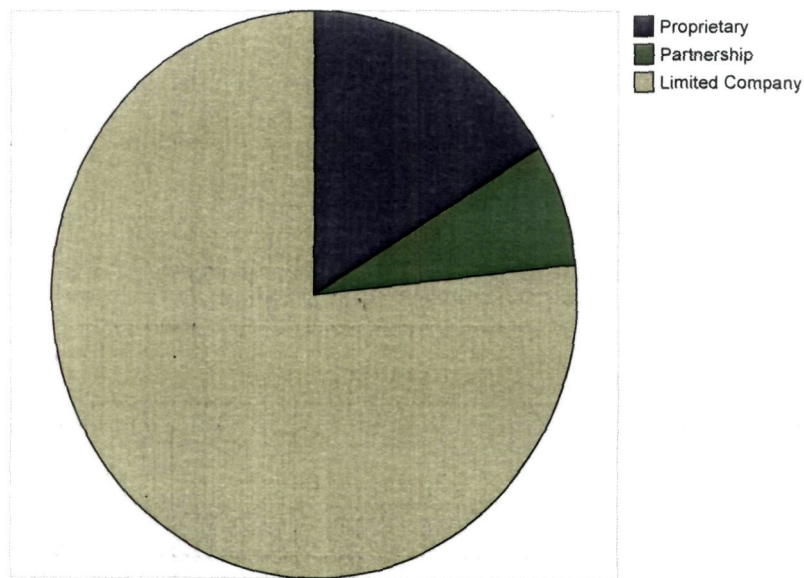
Inference:

In this table the researcher presents the profile of the respondents included in the survey. 65.1% of the respondents are from top level management, as they are the people who influence the organisational policies and therefore its direction. 25.6% of the respondents are from middle level management cadre and 9.3% are proprietors/ partners.

Table 4.2.2 - Type of Ownership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Proprietary	7	16.3	16.3	16.3
	Partnership	3	7.0	7.0	23.3
	Limited Company	33	76.7	76.7	100.0
	Total	43	100.0	100.0	

Type of Ownership

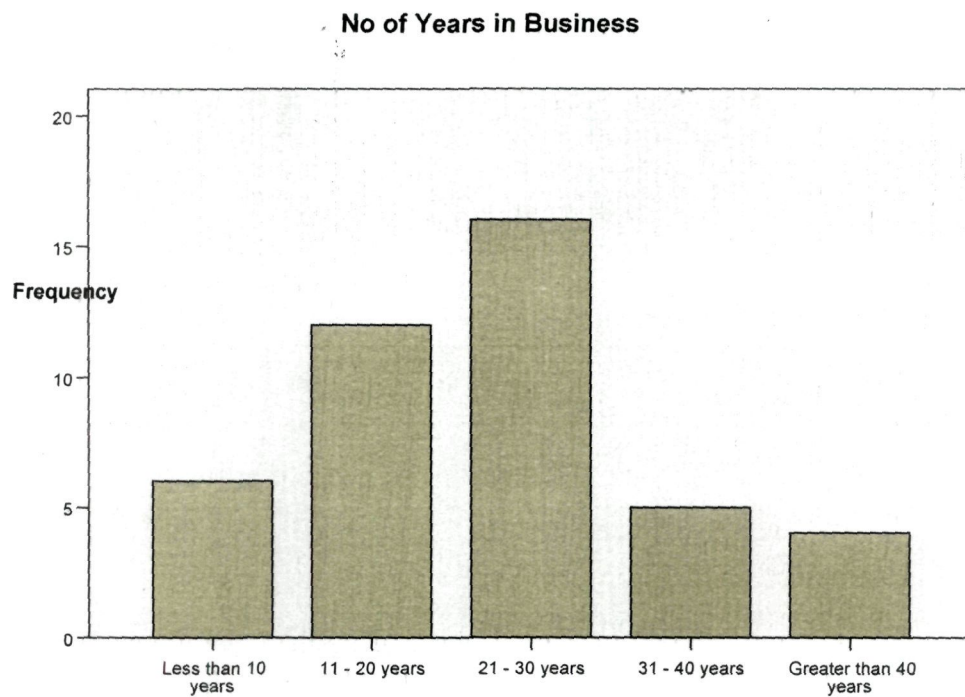


Inference:

Table above represents the ownership profile of the organisation included in the survey. 76.7% of the respondents are limited companies, 16.3% proprietary nature and 7.3% partnership. Analyzing data based from all strata makes the researcher understand the perspective of aluminium industry in a holistic perspective.

Table 4.2.3 – No. of Years in Business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 10 years	6	14.0	14.0	14.0
	11 - 20 years	12	27.9	27.9	41.9
	21 - 30 years	16	37.2	37.2	79.1
	31 - 40 years	5	11.6	11.6	90.7
	Greater than 40 years	4	9.3	9.3	100.0
	Total	43	100.0	100.0	



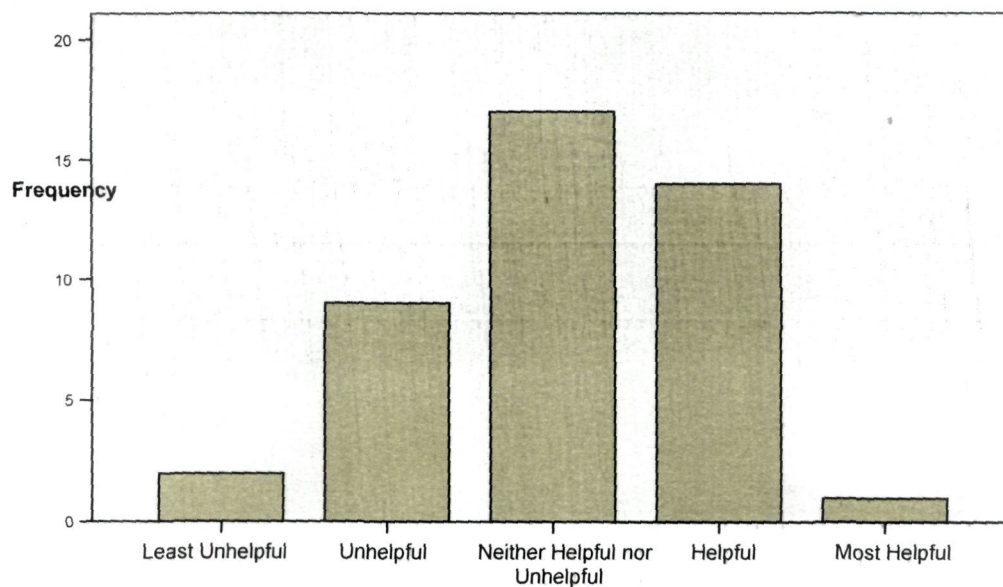
Inference:

From above table the researcher infers that 37.2% of the responses are in business between 21 – 30 years, followed by 27.9% between 11 – 20 years and 14% less than 10 years.

Table 4.2.5 - How Central Govt. Policies affect the marketing efforts of the products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Unhelpful	2	4.7	4.7	4.7
	Unhelpful	9	20.9	20.9	25.6
	Neither Helpful nor Unhelpful	17	39.5	39.5	65.1
	Helpful	14	32.6	32.6	97.7
	Most Helpful	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

How Central Govt. Policies affect the marketing efforts of the products



Inference:

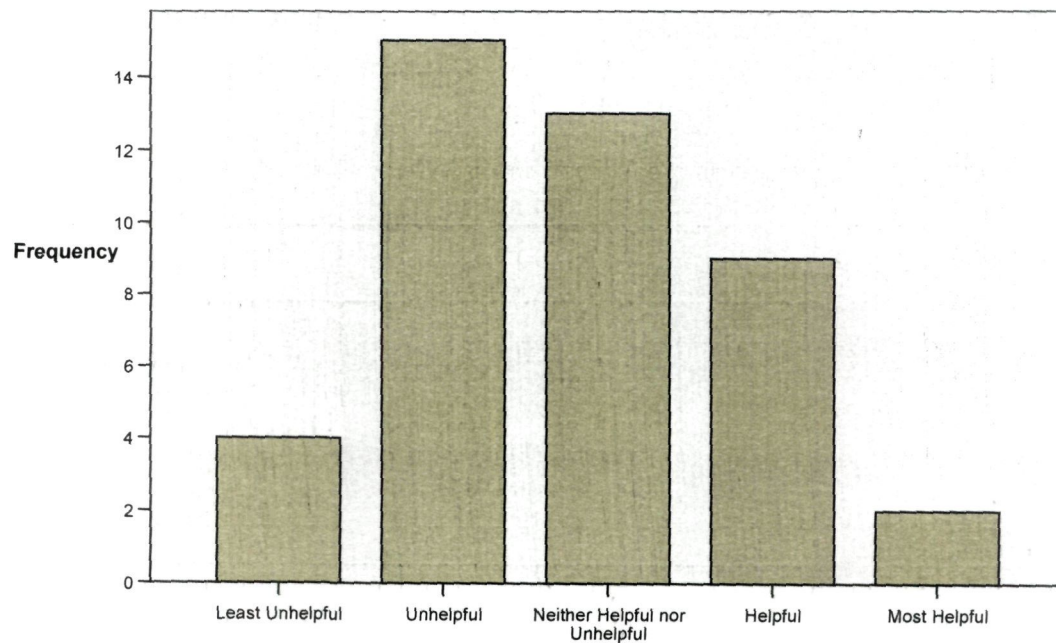
For any industry to succeed internationally, governments support directly and indirectly is necessitated apart from its individual strength.

With the help of above table the researcher had represented the opinion of the respondents with respect to the influence of the government policies on the marketing efforts of their products. 39.5% of the respondents attributed a neutral response (neither helpful nor unhelpful), 32.6% of the respondents felt they are helpful, followed by 20.9% responses has unhelpful.

Table 4.2.6 - How State Govt. Policies affects the marketing efforts of the products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Unhelpful	4	9.3	9.3	9.3
	Unhelpful	15	34.9	34.9	44.2
	Neither Helpful nor Unhelpful	13	30.2	30.2	74.4
	Helpful	9	20.9	20.9	95.3
	Most Helpful	2	4.7	4.7	100.0
	Total	43	100.0	100.0	

How State Govt. Policies affect the marketing efforts of the products



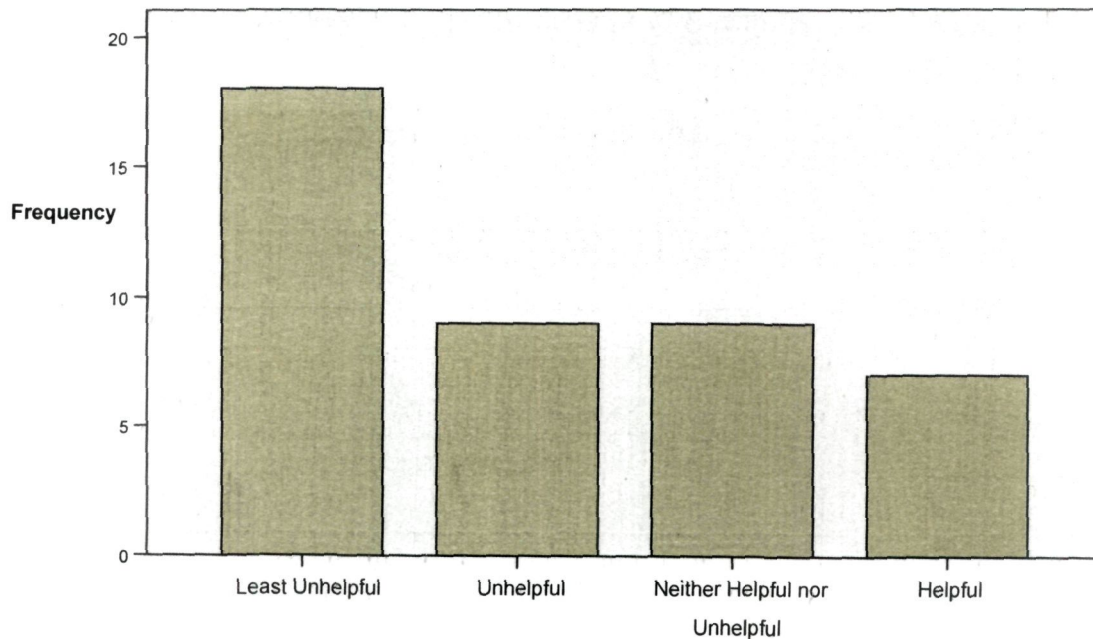
Inference:

The above table represents the response elicited from the respondents on their opinion towards the effect of state government policies towards marketing of their products. 34.9% respondents felt that these policies are unhelpful, followed by 30.2% attributing as neutral and 20.9% responding as helpful.

Table 4.2.7 - How Local Municipal Policies affect the marketing efforts of the products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Unhelpful	18	41.9	41.9	41.9
	Unhelpful	9	20.9	20.9	62.8
	Neither Helpful nor Unhelpful	9	20.9	20.9	83.7
	Helpful	7	16.3	16.3	100.0
	Total	43	100.0	100.0	

How Local Municipal Policies affect the marketing efforts of the products



Inference:

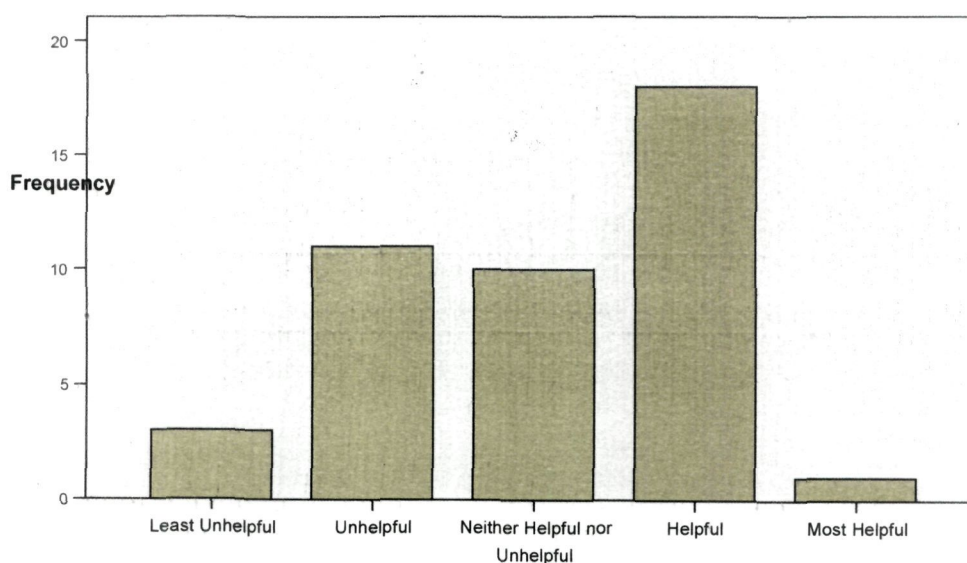
Location advantage and its economies are very important to an industry. These locational economies apart from natural resources are either enhanced or deteriorated by local governing bodies' policies.

41.9% of the respondents opined local municipal policies as least unhelpful to their marketing efforts, followed by 20.9% responses each for unhelpful and neutrality.

Table 4.2.8 - How Govt. Taxes and Tariffs affect the marketing efforts of the products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Unhelpful	3	7.0	7.0	7.0
	Unhelpful	11	25.6	25.6	32.6
	Neither Helpful nor Unhelpful	10	23.3	23.3	55.8
	Helpful	18	41.9	41.9	97.7
	Most Helpful	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

How Govt. Taxes and Tariffs affect the marketing efforts of the products



Inference:

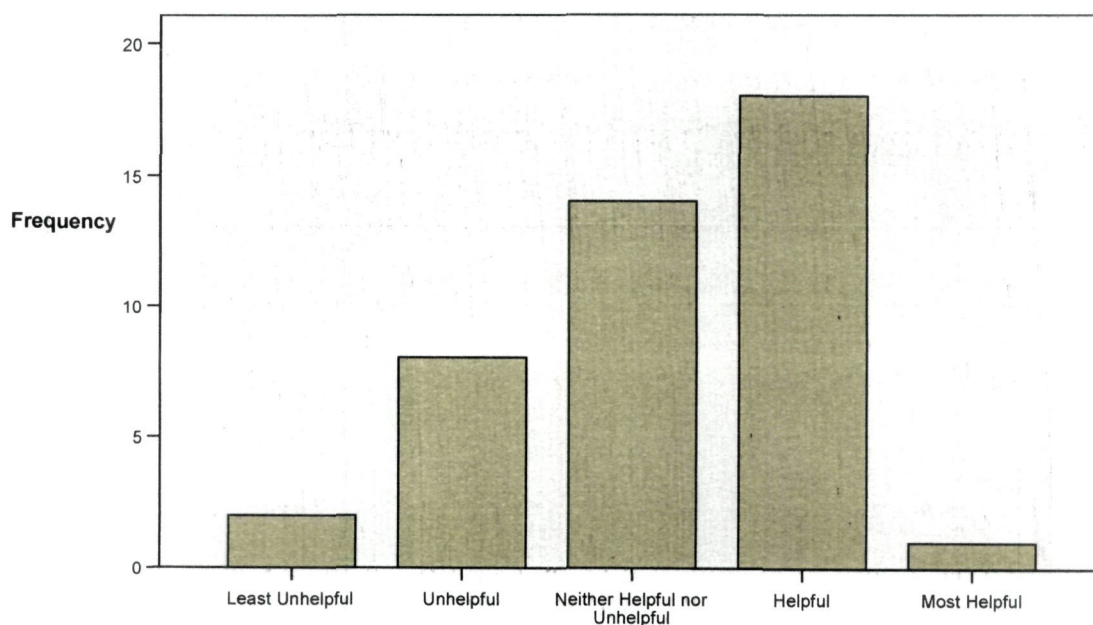
Taxes and tariffs also is a influencing factor that leads to the competitiveness of the industry in terms of its price, in an international marketing endeavor. Thus the attitude of the government with respect to the industry with its taxes and tariffs needs to be studied.

Above table represents the opinion of the respondents with respect to the influence of government taxes and tariffs on marketing efforts. Nearly 90% of the responses felt in the range of unhelpful to helpful. 41.9% of the respondents felt that they are helpful, followed by 25.6% as unhelpful and 23.3% respondents attributing a neutral response.

Table 4.2.9 - How Long Term Economic Policies affect the marketing efforts of the products?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Unhelpful	2	4.7	4.7	4.7
	Unhelpful	8	18.6	18.6	23.3
	Neither Helpful nor Unhelpful	14	32.6	32.6	55.8
	Helpful	18	41.9	41.9	97.7
	Most Helpful	1	2.3	2.3	100.0
	Total	43	100.0	100.0	

How Long Term Economic Policies affects the marketing efforts of the products



Inference:

When asked the respondents their opinion towards the impact of long term policies on marketing efforts, 41.9% attributed a positive response of helpful; where as 32.6% opined that they are neither helpful nor unhelpful, followed by 18.6% responses towards unhelpful.

Table 4.2.10 - Method of Accessing Customer Satisfaction

		Responses		Percent of Cases
		N	Percent	
Accessing Customer Satisfaction(a)	Accessing Customer Satisfaction - Direct Communication	12	13.3%	30.8%
	Accessing Customer Satisfaction - Discussions	13	14.4%	33.3%
	Accessing Customer Satisfaction - Post	30	33.3%	76.9%
	Accessing Customer Satisfaction - Meetings	8	8.9%	20.5%
	Accessing Customer Satisfaction - Based on Qty Lifting	27	30.0%	69.2%
Total		90	100.0%	230.8%

A Dichotomy group tabulated at value 1.

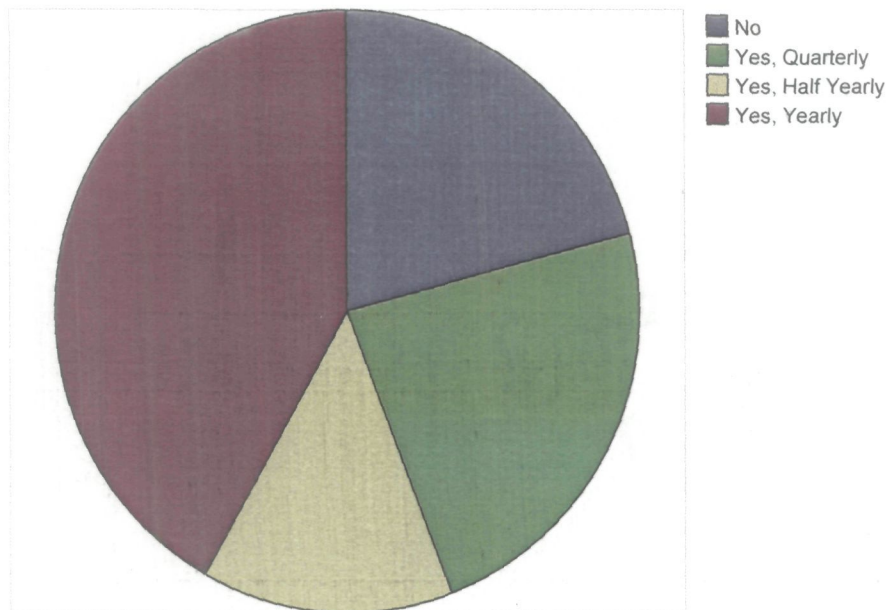
Inference:

33.3% of the respondents accessed customer satisfaction through structured reports send through posts; where as 30% inferred customer satisfaction based on the quantity lifted from them and 14.4% gauged customer satisfaction from discussions from their clients.

Table 4.2.11 - Do you arrange regular customer meet? If Yes, Intervals

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	9	20.9	20.9	20.9
	Yes, Quarterly	10	23.3	23.3	44.2
	Yes, Half Yearly	6	14.0	14.0	58.1
	Yes, Yearly	18	41.9	41.9	100.0
	Total	43	100.0	100.0	

Do you arrange regular customer meet? If Yes, Intervals



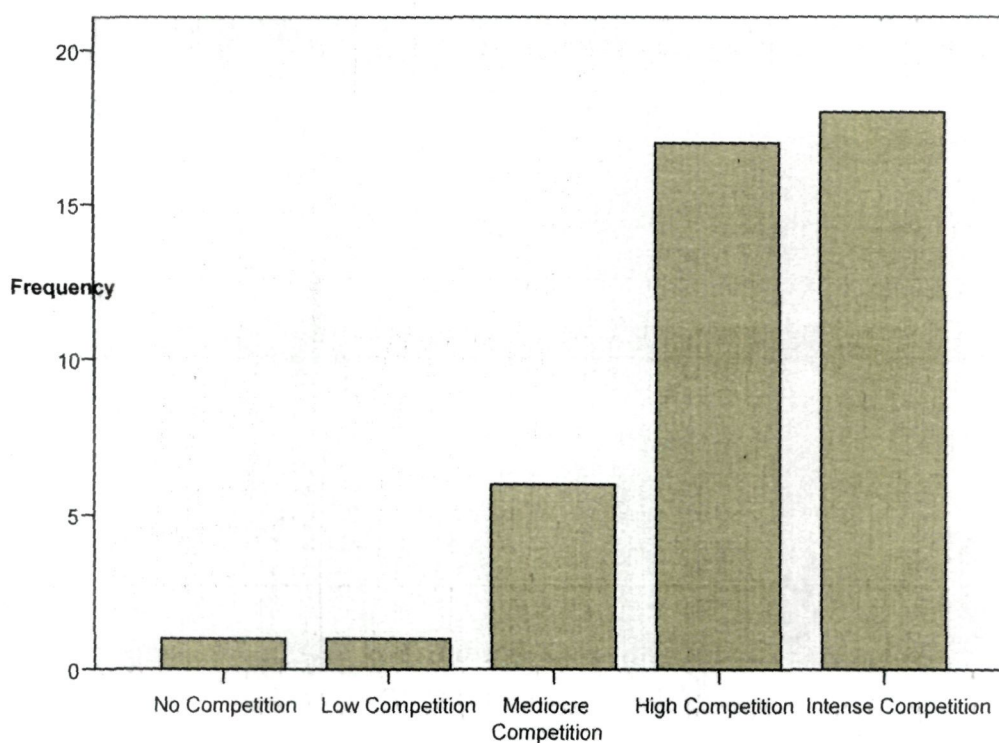
Inference:

With 20.9% respondents customer meets where not a regular phenomenon; where as with 79% of the respondents the customer meets where a regular phenomenon. 52.94% of the respondents who conducted customer meets regularly, performed it yearly; where as 29.41% of the respondents organized it quarterly and 17.65% half-yearly.

Table 4.2.12 - Level of Competition in Local Markets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Competition	1	2.3	2.3	2.3
	Low Competition	1	2.3	2.3	4.7
	Mediocre Competition	6	14.0	14.0	18.6
	High Competition	17	39.5	39.5	58.1
	Intense Competition	18	41.9	41.9	100.0
	Total	43	100.0	100.0	

Level of Competition in Local Markets



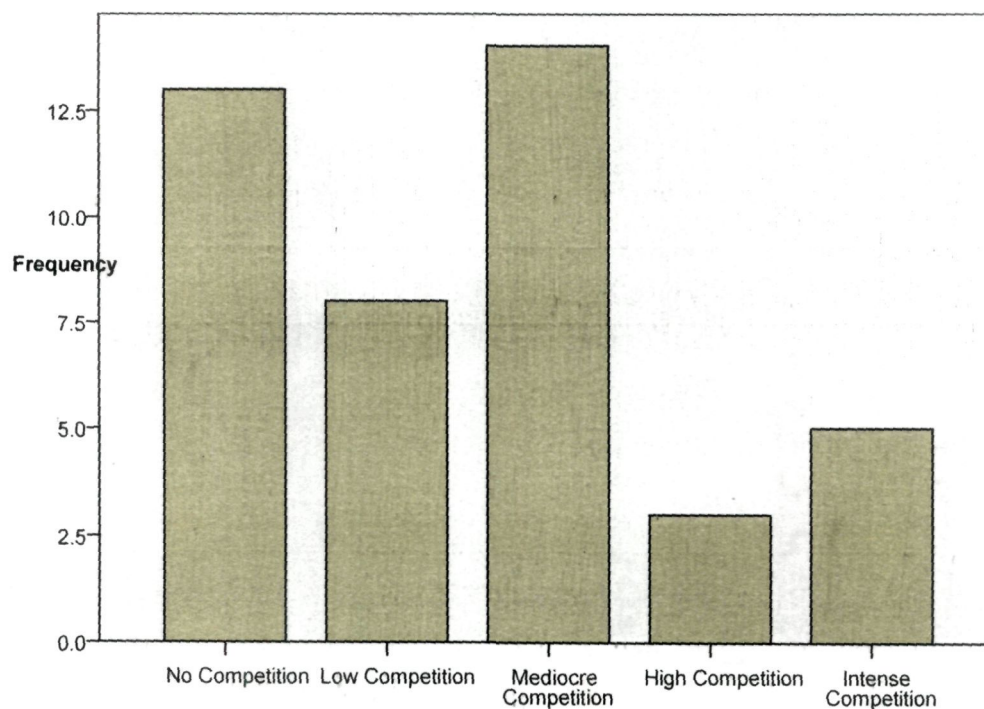
Inference:

When respondents were questioned on the level of competition prevailing in the local markets, 41.9% of them consented to the competition being intense; whereas 39.5% opined that the competition being high and 14% opined that the competition is mediocre.

Table 4.2.13 - Level of Competition among substitute products

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No Competition	13	30.2	30.2	30.2
	Low Competition	8	18.6	18.6	48.8
	Mediocre Competition	14	32.6	32.6	81.4
	High Competition	3	7.0	7.0	88.4
	Intense Competition	5	11.6	11.6	100.0
	Total	43	100.0	100.0	

Level of Competition among substitute products



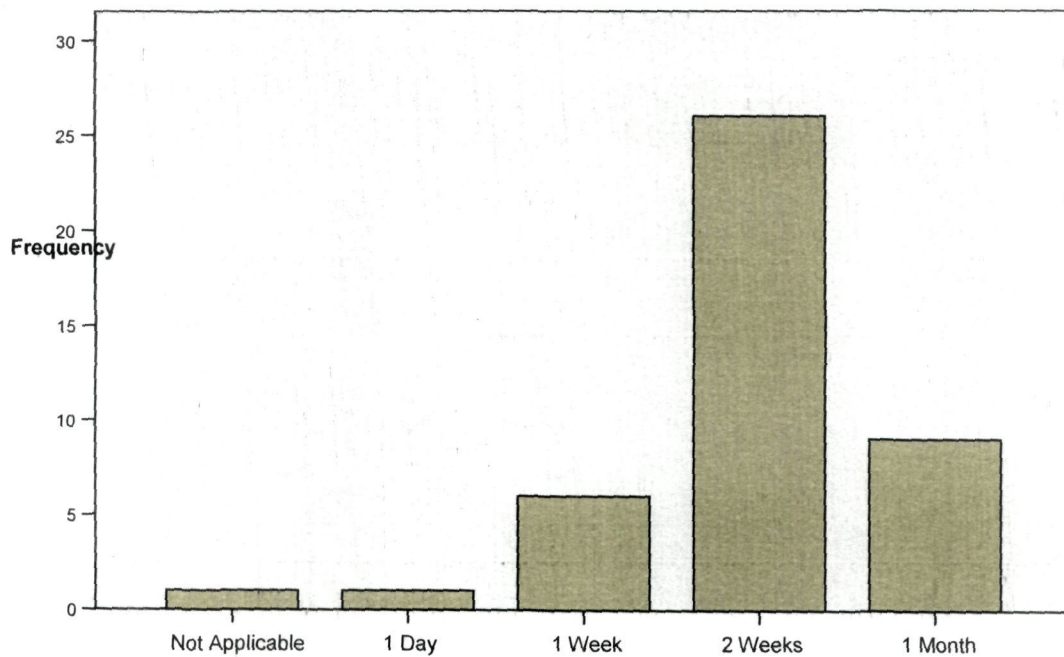
Inference:

The opinion of the respondents with respect to competition encountered from substitute products, 32.6% of the respondents felt that there is mediocre competition; where as 30.2% opined that there is no competition and 18.6% felt that the competition is low.

Table 4.2.14 - Finished Goods Inventory Held

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Applicable	1	2.3	2.3	2.3
	1 Day	1	2.3	2.3	4.7
	1 Week	6	14.0	14.0	18.6
	2 Weeks	26	60.5	60.5	79.1
	1 Month	9	20.9	20.9	100.0
	Total	43	100.0	100.0	

Finished Goods Inventory Held



Inference:

In a industrial marketing and that too in exports, the delivery of products in time is a crucial issue, with certain orders being made at least delivery gestation. In order to service such requests, the industry needs to hold a minimum level of inventory. Usually fast delivery helps foster relationship with the customers on a permanent basis.

With respect to the average finished goods inventory period held, 60.5% of the respondents held finished goods inventory for 2 weeks; where as 20.9% held them for one month and 14% held them for a week.